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# WORLD AGRICULTURAL Situation





# THE WORLD AGRICULTURAL SITUATION

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The *World Agricultural Situation* is published in June, September, and December. Agricultural situation reports for the world's major regions are published during March-May.

## SUMMARY

World agricultural production prospects for 1975<sup>1</sup> to date appear much more favorable than a year ago. The weather has been generally benevolent and most crops wintered well. An exception was the cold wet weather which delayed fall harvests and spring planting in Europe. Rains caused some damage to feed grains in Latin America. Warm dry weather also created some concern for spring grains in the USSR, and could result in greater grain imports in 1975/76. The timing and quantity of June-September monsoon rainfall in India is particularly important for rice and small grains, even though that country had a good harvest of winter wheat.

The expected recovery in U.S. crop yields should increase production of most crops on unchanged area; a record wheat, and possibly rice and feed grain, crop appears likely.

China may well have good harvests for all crops, perhaps even larger than those of the past 2 years. Asia's production outlook is also favorable—including that for Bangladesh, India, and Pakistan. Latin American prospects are good, and Africa shows promise of matching 1974's record output.

The world wheat and coarse grain crop is tentatively projected to reach record levels in 1975/76—enough to permit some limited buildup in stocks which have fallen to dangerously low levels. Rice production prospects at this early stage appear improved, particularly for exporting countries, but stocks are likely to increase only marginally.

The fats and oils situation has switched from one of relatively tight supply to one of concern about oversupply.

World milk and dairy prospects are mixed.

Global beef and pork supplies are large and herds are growing. Reduced consumer demand is distressing livestock producers who face rising input prices. Excessively dry weather in major exporting countries such as Argentina and Australia could result in increased meat supplies which would be difficult to market in developed consuming countries because of restrictive import policies.

World sugar demand is shifting downward and prices have fallen sharply. A sharp decline in cotton prices and

<sup>1</sup>Calendar year. Unless stated otherwise, split years (e.g., 1974/75) mean July/June. Fiscal 1975 means July 1974/June 1975. Tons are metric and dollars are U.S. unless otherwise specified.

a reduction in 1975 plantings have been brought about by the world economic slowdown and increased production. However, prices have increased some in recent weeks. Tobacco production and demand continue to rebound.

Countries are coping successfully, at least in the short run, with the problem of financing higher priced petroleum imports, but high petroleum prices are complicating the solution to the double dilemma posed by inflation and recession. Inflation has abated somewhat, but not enough to make policymakers comfortable with expansionary monetary and fiscal policies aimed at increasing employment. Some prospects are seen for a pickup in economic activity by the end of 1975.

Depressed consumer demand resulting from the economic slowdown, improved crop prospects, and reduced foreign purchases by the centrally planned economies have acted to pull down agricultural commodity prices around the world. But the prices of

agricultural inputs have continued to rise, putting a squeeze on farm income, particularly for livestock producers. Fertilizer supply-demand relationships, however, have begun to ease and prices recently have dropped sharply.

The value of U.S. agricultural exports, still forecast at a record \$22 billion for fiscal 1975, were favored by sharply climbing commodity prices last summer and fall. The sharp decline in prices of export products since November has contributed to the fiscal 1976 U.S. export forecast of \$18 billion. Agriculture's favorable contribution to the U.S. trade balance thus would fall from \$12 billion in fiscal 1975 to \$9 billion in fiscal 1976.

International actions to follow up on the recommendations of last November's World Food Conference are moving forward. Discussions are underway on world food security questions and the increase of aid to boost agricultural production in the developing countries. The United States has increased its food aid substantially.

## WORLD WEATHER<sup>2</sup>

Unusually mild weather prevailed in Europe and the USSR from December 1974 through April 1975. Below-normal moisture supplies in Asia during this time do not seem to have done too much harm to crop production. There are a few isolated problem areas in the Southern Hemisphere, such as a serious drought in the Caribbean, but overall conditions seem satisfactory.

### North America

Snows in December 1974 and January 1975 protected North America's winter cereal and forage crops from the cold weather, but the cold damaged citrus fruit in Texas and Mexico. An unusually cold and wet spring delayed row crop planting and harvesting of winter grains in some areas of the United States. The Texas High Plains were abnormally dry in April and early May, which has reduced winter wheat yields. During May and the first part of June, North American crops were generally in good shape and planting proceeded on time. In Mexico, a record wheat crop is expected, but drought conditions cut back sorghum production.

### Western Europe

Europe's winter grain acreage was reduced because of the wet fall. The entire winter (1974/75) in Europe was unseasonably mild except for the extreme north and east. Although precipitation was more than twice normal, occasional dry periods aided farmers in harvesting and seeding winter crops. April weather was

wet and cool in many places, which delayed spring farming activities and slowed the growth of winter grains in many countries. Yet warmer weather since mid-April 1975 has helped crops and prospects now appear to be quite good.

Most areas of the Mediterranean Basin were relatively dry from December 1974 through mid-February 1975. From then through mid-March, rains brought relief from prolonged drought in many of the Basin's countries, such as Spain, Portugal, and Italy. April was dry in some areas, but in others, such as parts of Spain and Portugal, favorable rains helped the wheat crop and irrigation outlook. Greece had prolonged dry weather through May, and crop prospects there have been hurt.

### Eastern Europe

Temperatures in Eastern Europe were unseasonably mild from January 1975 through mid-March 1975. Rain during this period relieved prolonged drought last fall and greatly improved winter crop prospects in Bulgaria and southern Romania. February and March were relatively dry, after a period of above-average precipitation from September to January. Cool April weather slowed crop development a little, but warmer weather since has improved prospects. Precipitation during May was above normal.

### USSR

Precipitation this past fall and winter over most agricultural areas in the USSR totalled some 10 to 20 percent below average and temperatures generally ran well above normal. At the beginning of the 1975 growing season soil moisture supplies were much below average in an area extending eastward from the Central Black Soil region and the eastern Ukraine through the Volga

<sup>2</sup>A summary of significant conditions that have been reported since the publication of WAS-6, World Agricultural Situation, December 1974. More detailed information on world weather appears in the third or fourth week of each month in the Weekly Weather and Crop Bulletin published jointly by the U.S. Departments of Agriculture and of Commerce.

area and the southern Urals into the western half of Northern Kazakhstan. Only in the western areas of European USSR and in the eastern parts of Northern Kazakhstan and Western Siberia was precipitation above average.

The generally hot dry weather continued during April and most of May, which reduced soil moisture but facilitated spring fieldwork. Soils in the central part of European USSR were suitable for cultivation 1 to 2 weeks earlier than usual. Above-normal precipitation and lower temperatures in late May provided relief, although perhaps temporarily, to most major agricultural areas in European USSR west of the Volga region, but precipitation in the Volga region, the southern Urals, and the western part of Northern Kazakhstan continued below normal.

### **Asia-Oceania**

Dry weather in Australia from December 1974 through February 1975 provided good conditions for harvesting. Rain fell during March in the southeastern parts of the continent, but moisture in some of the south central and southwestern portions remained below normal. In mid-March, Typhoon Allison brought excessive rain to Australia and New Zealand. By mid-May, nearly all crops were harvested. There has been little precipitation during the first part of June, which poses a potential problem for the crops that are planted during that month.

Despite lack of rainfall in Pakistan during December 1974 and early 1975, normal rainfall later in the year improved conditions for Pakistan's winter crops. Even though India's winter rainfall was about one-third below normal this year, the rains were well distributed in timing and location. Good rains in late February and early March improved yields of cereals and pulses in northern India. April brought good rains in the north, where winter wheat production is important. Most other areas received inadequate moisture. Harvesting of wheat and other spring crops was completed in June. The good performance of *irrigated* high yielding varieties provided India with a near-record wheat crop. The monsoon which began in early June 1975 has been erratic, and forthcoming rice and coarse grain crops may suffer.

The Philippines' major sugar-growing areas suffered damage from a typhoon which occurred in late January 1975.

Winter in the People's Republic of China was moderate. Although winter precipitation was light, soil moisture was satisfactory because of earlier precipitation. April started out seasonally dry in the north, but the dryness was relieved by good midmonth rains except in Manchuria. Southern China was seasonally wet, alleviating some of the dryness and helping rice planting and growth. In mid-May, it appeared that the rainy season was also beginning in Manchuria, where conditions have been dry and less than ideal for spring wheat.

### **South America**

Conditions have been quite varied during the last few months. Rains in Brazil from December 1974 through February 1975 benefitted corn and oilseeds. During February, which is the midseason for "summer" crops, the central highlands of Peru were dry, but this condition was alleviated by heavy rainfall during March. These March rains also extended into Brazil and Argentina, causing flooding which damaged Argentine corn and sorghum. Harvests thus far have progressed under relatively satisfactory conditions in other parts of South America. In contrast, much of the Caribbean has suffered from several months of subnormal rainfall, which is stressing sugarcane and tobacco. The drought situation in the Dominican Republic and Haiti is critical. Jamaica is also suffering from lack of rain.

### **Africa**

After an extended dry spell from November 1974 through February 1975, northern Africa (Morocco, Tunisia, Algeria) got some rainfall during February and March. Spring rains during April were too little and too late, however, to benefit winter wheat. Southern Africa (South Africa and Rhodesia) also experienced a dry spell in late 1974 which was alleviated by rain during January through March, but the rain was excessive and caused some problems. Good weather during April and May has increased production prospects for corn and sorghum in those countries. (Kathryn Kayser)

## **REGIONAL AGRICULTURAL DEVELOPMENTS**

For a more detailed review of regional agricultural developments in 1974 and early 1975, see these reports in the Foreign Agricultural Economic Reports series: *The Agricultural Situation in Western Europe* (April 1975), *Soviet Union* (April 1975), *Eastern Europe* (April 1975), *Western Hemisphere* (April 1975), *Far East and Oceania* (May 1975), *Africa and West Asia* (May 1975), and *People's Republic of China and Other Communist Asian Countries* (July 1975).

### **United States**

The size of 1975 crop production and the state of economic conditions in developed countries are keys to the outlook for U.S. agriculture.

### **Agricultural Production**

Planting of major spring crops is drawing to a rapid and generally timely conclusion, following several troublesome weeks of wet weather earlier. Based on

farmers' reported March intentions, overall acreage planted to major crops did not change significantly from the 1974 level. (The first estimate of actual plantings was published on June 30.) Offsetting an intended decline of 3.5 to 4 million cotton acres, soybean plantings were about 3 million acres larger and wheat acreage was up 2 million. Feed grain and rice acreages were virtually unchanged.

Assuming "normal" yields, record crop output is likely. Winter wheat is estimated at a new high of 1,619 million bushels as of June 1. Record or near-record rice production also is in the offing. Feed grain production could rebound nearly 40 percent from last year's drastically reduced level, with the corn crop reaching a new record high.

Since much of the increase in soybean acreage this year is outside principal producing areas, output may be moderately higher with normal yields. Cotton output will reflect about a 25-percent drop in planted acreage. However, yields are expected to rebound from 1974's low level, especially since plantings are concentrated on prime acres.

### **Impact of Top Crop**

If record 1975 crop production were achieved, crop prices received by farmers would average lower than in 1974, and livestock and product prices received probably would average about the same. Net farm incomes would likely drop because of much smaller cash receipts and higher production expenses than in 1974. Compared with last year's \$27.2 billion, net farm income could drop as low as \$20 billion in 1975.

Livestock production, sharply curtailed this year by high prices and limited supplies of feed, would recover gradually. However consumers would not begin to see the results until late in 1975.

Retail food prices would probably average 6-8 percent higher than in 1974, with most of the increase already having occurred. Prices would rise moderately in the third quarter, partly because of continued low hog slaughter and a continued small volume of fed cattle. Fourth quarter prices might decline as larger retail meat supplies appeared.

Record crop supplies would allow for a recovery in the volume of U.S. farm exports during fiscal year 1976. In addition, a significant rebuilding of crop reserves from their present depleted levels would take place.

### **Farm Inputs Improve**

Purchased inputs for agricultural production are generally in better supply this year, but all inputs have registered major price increases. There is plenty of gasoline and diesel fuel for farmers, but LP gas will be in short supply. Fertilizer supplies have increased this spring, although high prices may ration use. Prices aren't likely to increase this season. Beginning inventories of pesticides are low and supplies are tight. Herbicides are hardest to get.

## **Agriculture and the Economy**

Demand for agricultural products has suffered with recessionary economic trends in the United States and in foreign markets. Among nonfood items, demand has lagged recently for tobacco and tobacco products for export, and for textile products in both domestic and foreign economies. Beginnings of an upturn in the textile sector is foreseen later in 1975, if economic conditions improve.

During 1973 and 1974, rapidly rising incomes created strong demand for food. Demand pressures have moderated somewhat during the recession, contributing to only a modest (by recent standards) 2-percent increase in first-quarter retail food prices. The course of prices through the rest of the year will depend in part on the resurgence of consumer demand.

The American consumer will get less food in 1975 but pay more relative to income. Per capita food consumption may drop nearly 1 percent. More beef will be offset by less of other livestock-related foods. Although supplies of crop-related foods may be larger than a year ago, higher prices apparently are holding movement to the 1974 level. With food expenditures rising at a faster pace than disposable personal income, the share of income allocated to expenditures for food rose to 17.4 percent in the first quarter, nearly 1 percentage point higher than a year earlier.

Agricultural prices took an upturn in April and May after several months of decline, largely reflecting gains in uptrending livestock prices. This caused the first upturn in the wholesale price index of some months in May. Agricultural production levels and their influence on overall price levels will be an important determinant in the course of inflation in the U.S. economy for the remainder of 1975. (Raymond L. Bridge, ERS Information Division)

### **Other Developed Countries**

The economic downturn in foreign developed countries persisted in the first half of 1975, and was of greater length and severity than most prognosticators expected. Unemployment continued to rise during the first quarter of the year as governments used restrictive fiscal and monetary policies to curb inflation. Only recently have governments begun to consider easing inflationary controls and moving into expansionary economic policies.

Unemployment levels are still worrisome in many West European countries and problems of inflation are still acute. On May 7, Belgium froze the price of goods and services for a period of 2 months. France has also imposed a temporary price freeze on a wide range of consumer goods. Several countries—Italy, the United Kingdom, Greece, and Portugal—are expected to have declines in their real gross national product in 1975. However, Italy's fiscal austerity measures appear to be having a favorable impact on exchange reserves as the March balance of payments showed the first monthly surplus since August 1974. Inflationary rates in Japan

have dropped sharply—the Consumer Price Index increased 13 percent between April 1974 and April 1975, compared with 23 percent for the year earlier. Wage increases in Japan in spring 1975 were held to an average of 14-15 percent, compared with 32 percent in spring 1974. The balance of trade in Australia continued to deteriorate in first half 1975, leading to the imposition of tighter import restrictions.

Governments have encouraged farmers to expand grain production in 1975 by both public exhortations and policy changes. Canadian government officials called for increases in wheat (from 24.5 million harvested acres in 1974 to 27-28 million acres in 1975), barley, rapeseed, flaxseed, and soybeans. Australia's wheat quotas, regulating farmer deliveries to the Australian Wheat Board, have been abolished beginning with the 1975/76 crop and the first advance payment has been increased 25 percent to \$74.41 per ton. Japanese officials are advocating greater self-sufficiency in agricultural production and are pursuing policy changes likely to result in some increased domestic output. The European Community (EC) on February 13, 1975, approved farm commodity price increases which averaged 10 percent.<sup>3</sup> Target and intervention prices for grains were raised approximately 8 to 10 percent.

Canada's April 4 report of planting intentions showed farmers planned to sow 25.1 million acres of wheat in 1975, 7 percent above 1974 planted area. Planned feed grain acreage of 22.9 million acres was nearly 6 percent below government recommendations and 2 percent below the 1974 planted area. Rapeseed planting intentions totaled 3.8 million acres, 17 percent above the 1974 planted area, but still below the level desired by the government. An end-of-May report on seeding of spring grains indicated good progress in Saskatchewan and Manitoba, but some delay in Alberta due to cool, wet weather.

Australian farmers have indicated their intention to plant 9.2 million hectares to wheat in 1975, 4.5 percent above the previous year and third only to the record 10.8 million hectares in 1968. The 1975/76 crop will be the second produced under a new 5-year stabilization policy for wheat which is intended to reduce government costs by limiting payments to growers and by adjusting more closely the level of guaranteed export prices of wheat to world prices. Also, starting with the 1974/75 season, Australia has been refining and renaming its wheat grades. "Fair Average Quality" (FAQ) is now called "Australian Standard White".

Western Europe's 1975 wheat crop likely will be smaller than last year's record 56 million metric tons. Declines are expected in both the EC and non-EC countries but most of the drop is expected to occur in the EC. Excessive rains hindered fall wheat sowings in the EC while severe drought curtailed sowings in Spain.

Early-June indications were that coarse grain production in Western Europe will be well above last year's record 84.3 million tons.

Current marketing year's carryover stocks of wheat and coarse grains in Western Europe are expected to exceed 12 and 11 million tons, respectively—a record level for both. The EC is having difficulty in disposing of its record large 1974/75 wheat crop and is resorting to extensive subsidization of exports. By contrast, at the beginning of the marketing season, the EC raised its levy on wheat exports in order to restrict the outflow of wheat to world markets where wheat prices were then higher than internal EC prices. The EC ended the export levy on wheat in mid-January. An additional difficulty for the EC in recent months has been that the wheat-corn price ratio has favored the importation of considerably more corn, particularly from the United States, than had been expected earlier in the marketing year.

Australian cattle numbers continued to rise during the first half of 1975 as low prices resulted in cattle ready for slaughter being retained on farms. This situation is potentially catastrophic as a widespread drought—not uncommon to Australia—could lead to a major herd liquidation. The Australian federal government is extending low interest beef loans to producers on a matching fund basis with individual states. Australia is applying a voluntary restraint program which allocates 280,000 tons of beef shipments to the United States in 1975. Australia is currently operating a beef diversification program under which Australian exporters can ship 1 ton of beef to the United States for every 2 tons of beef shipped to other destinations.

The Australian beef situation has been aggravated by the beef import embargoes of the EC and Japan. In early May, intervention stocks of beef in the EC totaled more than 250,000 tons, and about half of Ireland's beef output was going into intervention. Beef and veal production in 1975 in the EC may exceed the 1974 level. Nevertheless, the EC has eased import restrictions on beef for the period June through September, in spite of objections from France, Ireland, and Belgium. Under a balancing system, the EC will allow total imports of up to 50,000 metric tons of beef or cattle equivalent, provided that prospective importers export equal amounts of beef with no subsidies to non-EC buyers. EC imports of beef under this program are likely to consist mostly of high-quality meat for use in restaurants and hotels.

In Japan, a price stabilization scheme for beef began in May 1975, with price supports set at \$144 per hundredweight (cwt.) for dairy steer carcasses and \$178 per cwt. for Wagyu (beef breed) steer carcasses. Japan's Livestock Improvement Promotion Corporation will be the sole importer and will buy and sell in domestic markets to stabilize prices. Purchases of imported beef—suspended in February 1974—were resumed in June 1975, but the quota will be small (about 10,000 metric tons) and additional quotas will be issued only if domestic prices exceed target levels of \$168 per cwt. for dairy steer carcasses and \$207 per cwt. for Wagyu steer carcasses.

<sup>3</sup>For additional details see: *The Agricultural Situation in Western Europe: Review of 1974 and Outlook for 1975* Econ. Res. Serv., U.S. Dept. of Agr. For. Agr. Econ. Rept. No. 100. Apr. 1975.

Dairy production in New Zealand is running ahead of last year due to excellent pasture. Attempts are being made to diversify export markets, with particular attention being paid to Middle East countries. Australian milk output fell 6 percent in 1974/75.

Milk production in the EC may slightly exceed last year's level. Stock buildups are likely to occur for butter and nonfat dry milk in the EC as a result of price increases for the 1975/76 marketing year. A dispute between the United States and the EC over EC subsidies on exports of cheese to the United States was resolved last April after the EC agreed to end subsidy payments on various types of cheese (including low-fat cheddar types).

The target support price for industrial milk (i.e., milk not used for fluid purposes) in Canada will be adjusted annually on the basis of three elements (with weights in parenthesis): Index of cash input prices (45 percent), Consumer Price Index (35 percent), and other factors<sup>4</sup> (20 percent). A target support price of C\$11.02<sup>5</sup> per cwt. of milk was announced on April 1.

Recent projections by the Japanese government of food production and consumption to 1985 imply the following imports for selected commodities (1974 actual imports in parenthesis): Feed grains, 18 million tons (14); wheat, 5.3 million tons (5.4); soybeans, 4.6 million tons (3.2); barley, 1.6 million tons (1.4); beef, 117,000 tons (53,000); raw sugar, 3.0 million tons (3.8). No imports are projected for rice, fruits, vegetables, pork, poultry, or eggs. The consumption projections represent a shift away from any further westernization and diversification of the diet in favor of continuation of the more traditional Japanese diet of rice, fish, and vegetables. Important assumptions in the projections are: A 5-percent annual rate of real growth in private consumption expenditures, compared with over 10 percent in 1955-73; and a daily per capita intake of 2,593 calories and 83.3 grams of protein by 1985, both little changed from the present. The projections also rest on the optimistic goals of increasing the number of beef cattle in Japan by 86 percent, the number of dairy animals by 41 percent, and the near doubling of forage production between 1972 and 1985.

The EC is beginning to take steps in the 1975/76 marketing year to restore common pricing under the Common Agricultural Policy. Member states have maintained their domestic support prices in terms of their own national currencies and have been unwilling to alter them in response to changes in the rates of exchange between member state currencies and the unit of account. This created a potential divergence in commodity trading prices among EC countries which could have undermined the price support systems in these countries had it not been for the application of monetary compensatory amounts (MCA)—subsidies or

<sup>4</sup>Significant changes in stocks of dairy products, level of returns to dairy farmers in other milk-producing countries, and major changes in competitive processing costs.

<sup>5</sup>The current rate of exchange is roughly C\$1 = US\$1.

levies, depending upon the relative value of national currencies. MCA's tend to equalize commodity trading prices among countries. New, agreed-upon conversion rates between most national currencies and the EC's unit of account will permit a reduction in the MCA's. MCA's have been abolished for wine in most EC countries as well as for a number of processed products including noodles, ice cream, and corn products.

The EC has also announced the gradual introduction of a new unit of account based on the currencies of member states weighted according to their relative importance, rather than being pegged to gold. However, there are no immediate plans for using the new unit of account in agricultural transactions.

The Lomé Convention, signed in February 1975 by the EC and 46 developing nations (nearly all of them former colonies of the EC-9), set up an export-earnings stabilization fund for the 46 developing countries and a minimum price for their exports of sugar to the EC. The Convention also provides exemption from EC customs duties for most products and sets variable levies on products such as corn and rice that are lower than the levels applicable to third countries. Also, the EC is seeking to put in place a global Mediterranean preferential policy which will harmonize the various preferential arrangements in effect with Mediterranean countries other than Greece and Turkey which are associate members. A preferential agreement with Israel is to come into effect in July, but granting of preferential treatment for some agricultural products such as tomato paste and citrus fruit will be delayed until new preferential arrangements are negotiated with certain other Mediterranean countries.

The British showed a strong preference for continued membership in the EC in the June 5 referendum vote. A number of concessions<sup>6</sup> designed to improve Britain's position in the Community were granted to the United Kingdom by the EC during the British Labor Party's "renegotiation" of the Common Agricultural Policy. The National Farmers Union—a nationwide organization representing farmers and farm interests—strongly supported continued British membership in the EC. (Reed E. Friend and Omero Sabatini)

## USSR

Soviet agricultural prospects in early June 1975 are not especially favorable for grains and forage crops, but have improved over the earlier outlook for other crops. Soil moisture supplies are less than average in a number of important agricultural regions. Some grain yields are already being curtailed by limited moisture and, unless at least average amounts of precipitation are received soon, yields will be sharply reduced and growth of forage and pasture adversely affected.

Warm, dry weather permitted spring seeding to proceed at a record rate and by late April the area sown

<sup>6</sup>For additional details see FAER No. 100, p. 10.

was more than a third larger than the average sown by the same date in 1972-74. However, cool rainy weather during May in the eastern part of Northern Kazakhstan and in Western Siberia slowed seeding in these areas so that by late May the total area sown lagged somewhat behind that achieved in 1972-74. Nevertheless, spring seeding was largely completed as usual during the first week of June.

Soviet grain crop prospects in early June were estimated at 200 million metric tons, down from the earlier projection of 210 million tons. Soviet wheat production was still expected to total 95 million tons. While somewhat larger than the 1974 crop, a 200-million-ton grain harvest would be about 15 million less than planned production and 10 million less than estimated domestic utilization requirements, which could lead to some increase in Soviet grain imports in 1975/76.

Soviet grain area is estimated at 131 million hectares, almost 4 million larger than in 1974. However, in early June, grain yield was expected to be almost a tenth below trend (based upon 1955-73) due to hot, dry weather. The regions most affected by limited soil moisture supplies are important spring grain growing areas, including the Volga region, the southern Urals, and the western part of Northern Kazakhstan.

The 200-million-ton estimate assumed average weather during the remainder of the growing season. However, somewhat below average precipitation was forecast for the main spring grain areas for June, and this could further reduce final grain output. Since spring grains—which make up two-thirds of total USSR production—were still in an early stage of development, the current estimate should be considered tentative.

Cotton remains the bright spot among the Soviet industrial crops for 1975. A crop equal to or somewhat above the 8.4 million tons (seed cotton) harvested in 1974 seems likely. The area planted to sugarbeets this year is slightly larger than last, continuing the upward trend of recent years, while the area seeded to sunflowers probably is about the same as in 1974. Prospects for sugarbeets and sunflowers were improved by late May-early June rains in European USSR. Barring exceptionally favorable weather during the remainder of the summer, however, the sugarbeet and sunflowerseed crops are expected to fall short of planned goals. Still, the amount of sugarbeets produced should be well above the poor 1974 crop unless unfavorable weather returns during the summer.

Soviet livestock and poultry production continued to increase during the first half of 1975, although at a somewhat slower pace than a year earlier. Livestock herds and poultry numbers on collective and state farms as of May 1, 1975, were somewhat larger than on May 1, 1974. Poultry led the increase with a 5-percent gain, followed by cattle (including cows), up 3 percent. Hog numbers were 2 percent larger. Sheep and goats trailed with only a 1-percent increase.

Increases in livestock and poultry numbers as well as output of products were held down in early 1975 by

relatively poor feed supplies from the 1974 crop season in comparison with the record 1973 crop year. However, the unusually mild fall and winter and the early spring in 1975 helped reduce the impact of the smaller feed supplies on the output of livestock and poultry products. Egg production on collective and state farms during the first 4 months of 1975 was 10 percent larger than a year earlier and meat output was up 4 percent. Milk production, after posting no gain during the first quarter of 1975, was somewhat larger in April 1975 than in April 1974. (*Fletcher Pope, Jr.*)

### **Eastern Europe<sup>7</sup>**

The targeted increases in gross agricultural production in 1975 range between 2.4 percent in East Germany, where agricultural performance in 1974 was outstanding, and 9.3 percent in Bulgaria, where drought caused a decline in 1974 crop production. Production plans in each country call for faster increases in crops than in livestock product output to narrow the gap between feed requirements and domestic supply. Given normal weather, this policy should lead to the reduction of grain imports in Czechoslovakia and East Germany; stabilization of grain imports in Poland at the present level; accelerated grain exports in Bulgaria, Hungary, and Romania; and self-sufficiency in Yugoslavia

Weather imposed constraints on the 1975 plans by thwarting the completion of wintergrain sowing in East Germany, Poland, and Yugoslavia. Approximately 600,000 hectares of grain sowing had to be postponed until spring. East Germany and Poland replaced wintergrain with spring wheat and spring barley, and Yugoslavia with corn. Due to the substitutions, the grain area in 1975 will remain the same as in 1974—about 29 million hectares.

High sugar and oilmeal prices on the world market stimulated sugar beet and oilseed area expansion. In 1975, the planned sugar beet area of 1.5 million hectares will be 200,000 hectares above that in 1974, but seeding is 2 to 3 weeks behind schedule in Czechoslovakia and Poland, which may be detrimental to the yield. The combined area of rapeseed, sunflowerseed, and soybeans is slated to surpass 2 million hectares; this is about a 200,000-hectare increase since last year. Rapeseed suffered serious winterkill in the last crop year, but this year it wintered well.

In the livestock sector, cattle and hog inventories attained an alltime high as of January 1975. But, hog numbers increased at a slower rate during 1974 compared with the fast expansion in the preceding years, and are expected to increase even more slowly in the future. Total meat production in 1974 was up about 9 percent, compared with 1973, and milk production rose 2 to 3 percent. Larger domestic supplies permitted an increase in per capita consumption of meat and milk products which was aided by stable prices in

<sup>7</sup>Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, and Yugoslavia.

government outlets. The exception was Yugoslavia, where the economy is more market-oriented and where prices were allowed to rise.

Shortages of meat and milk began to develop in Poland at the beginning of 1975, because meat and milk prices had been held down for a number of years while consumption was being heavily subsidized and disposable incomes were rising. Also, the drop in milk yields—a general phenomenon in the region at the end of the winter—was caused by the shortage and low feeding value of forages. The meat shortage is probably temporary since Poland is a net meat exporter and can divert supplies to the domestic market.

East European grain imports in fiscal 1975 are estimated at close to 10 million tons. This is somewhat higher than in fiscal 1974 because of imports by Bulgaria and Romania which are surplus producers under normal weather conditions. Regional grain exports in fiscal 1975 are estimated at about 2.5 million tons, of which Hungary will supply two-thirds.

Rising livestock numbers and the failure of domestic oilseed production in 1974 probably pushed oilmeal imports in 1974 above the 1973 level of 3 million tons.

Meat and live animal exports were depressed by the import embargo in the EC, traditionally East Europe's best customer. The sales loss was partially offset by large purchases by the Soviet Union and Middle Eastern countries. Hungary, the leading exporter of poultry meat, even succeeded in increasing its poultry exports in 1974 to 90,000 tons—an increase of 20,000 tons. Hungarian poultry exports in the first quarter of 1975 continued to run ahead of last year's level due to new contracts with several nations in the Middle East.

The value of U.S. direct agricultural exports to Eastern Europe in fiscal 1975 will be close to \$680 million, matching last year's results. U.S. agricultural imports from the region, \$175 million in fiscal 1974, showed a decline of 7 percent in value and 3 percent in volume during July-April of fiscal 1975, compared with the same period a year earlier. Grain and oilmeal are the principal U.S. agricultural exports; canned ham and shoulders are the principal U.S. agricultural imports.

East Europe's principal energy supplier is the Soviet Union, but East Europe (excluding Romania, which is self-sufficient) imported about 13 million tons of crude oil, or 20 percent of total oil imports, from the Organization of Petroleum Exporting Countries (OPEC). The quadrupled oil prices cost the region about \$1 billion more in 1974 than before the OPEC oil price hike. With the help of budgetary manipulations, lower-than-planned investments, use of import credits, and increased export prices, the region succeeded in maintaining economic stability.

But shortly after making these adjustments, in February 1975, the inter-CEMA<sup>8</sup> trade prices were

revised upward (retroactive to January 1, 1975), based on the average 1972-74 world prices.

The changed price ratios favor raw materials and further worsened East Europe's terms of trade. For example, for crude oil, of which the Soviet Union supplies about 60 million tons annually to the region, prices were raised about \$32 per ton. This additional outlay will equal about \$2 billion during 1975. Poland and Romania are the least hurt by the price realignment, because of their relative abundance of raw materials and, in the case of Romania, low per capita use of energy. (Thomas A. Vankai)

### People's Republic of China

The official Chinese evaluation in mid-May of good prospects for agricultural output in the People's Republic of China (PRC) in 1975 seems justified for many reasons. The greatest efforts ever went into preparations for this year's crops; water conservation, reclamation, farmland improvements (levelling of land, deep plowing, terracing of fields, increased supply of organic and chemical fertilizers), and enlargement of the management force all received special attention. National conferences on cotton, oil-bearing crops, sugar, hemp, and tobacco stressed the need for the expansion of acreage for all these crops and the timely implementation of all farming functions in 1975 to insure the successful completion of the fourth 5-year Plan.

Mild weather facilitated spring farming operations, and the planting of most crops was completed ahead of the usual time. Good harvests were obtained from winter-grain crops in the Yangtze River Valley, particularly winter wheat and rapeseed, both on expanded acreage. Transplanting of early rice was satisfactory despite excessive rain in parts of Southeast China. Spring wheat (on enlarged area), miscellaneous grains, cotton, oil-bearing crops (also on enlarged area), and other industrial crops, were planted on time and are growing well, the result of widespread, above-normal rainfall about mid-April, which followed periods of dry weather earlier in the spring in much of the area north of the Huai River.

Precipitation varied considerably during May—from generally normal to above normal south of the Yangtze River and from normal to below normal to the north. Soil moisture has been below normal in some parts of Southwest and Northwest China and in Central Manchuria. These are marginal producing areas, and the moisture deficiency does not appear serious.

The bulk of the winter wheat harvest is essentially completed, and apparently will be good. Prospects for early rice also are good. Growth of other major crops presently in the ground progressed satisfactorily in April and May, but may have slowed slightly in some areas in the north due to below normal precipitation in early June.

Assuming continued favorable weather, another good harvest for all crops is in sight for China in 1975, at least equal to those of the past 2 years, and probably larger.

<sup>8</sup>Council of Economic Mutual Assistance includes all Eastern European countries covered by this report, except for Yugoslavia, and the USSR, Mongolia, and Cuba.

In 1975, the PRC has paused in its purchases of agricultural products from the West. PRC wheat imports for fiscal 1975 will be about 100,000 tons higher than for fiscal 1974 (5.6 million tons). Imports in fiscal 1976 could be lower. Successive terminations of wheat contracts in early 1975 reduced wheat imports from the U.S. to 1.44 million tons in fiscal 1975 from 4.8 million tons in fiscal 1974, and to zero after June 1975. The PRC negotiated purchases from Australia and Canada under its long term-wheat agreements with those countries for deliveries extending through May 1976. The amounts are the minimum allowed by the agreements.

U.S. cotton exports to the PRC will drop sharply, approximately to 300,000 running bales for fiscal 1975, compared with 846,000 running bales a year earlier. The renegotiation of contracts in February 1975 reduced fiscal 1975 shipments by 230,000 running bales and leaves none to be shipped beyond July 1975. The PRC's termination of contracts for U.S. corn in mid-1974 and for U.S. soybeans in September reduced shipments of those commodities to 23,000 tons and 100,000 tons, respectively, in fiscal 1975. No contracts are outstanding for either commodity in fiscal 1976.

In view of the good harvest in 1974, the promising start for 1975 crops, and the likely continuing shortage of foreign exchange, U.S. exports of farm products to the PRC in 1975 are expected to be further reduced from that in 1974. (*Marion R. Larsen and Charles Y. Liu*)

### Asia<sup>9</sup>

Agricultural prospects in Asia are for good harvests again in 1975. While total agricultural production in 1974 decreased about 2 percent from the very high levels reached in 1973, it was still the second highest on record. Per capita output fell, however. Large decreases in production in India, Pakistan, and Burma were directly attributable to adverse weather. Overall national agricultural production goals for 1975, set well above 1974's actual output, are not likely to be achieved, but total agricultural production should at least approach or exceed 1974 levels.

Recent estimates of India's 1975 wheat harvest are for an excellent crop of around 26 million tons, close to the 1971/72 record of 26.4 million tons. The good crop is attributed mainly to improved irrigation of high yielding varieties, timely rainfall, and below-normal temperatures in March during the crucial head-filling stage. Rust disease problems were serious in 1974 but caused little damage in 1975. In spite of the big 1975 wheat crop, wheat imports by India are scheduled to exceed 4 million tons during the first half of 1975, compared with 1.7 million for the same period last year and one million in 1973.

Pakistan's wheat situation also turned out to be surprisingly good—a harvest of 7.5 million tons is expected, compared with last year's production of 7.8 million tons. The surprise results from the fact that

February rains more than compensated for the drought that existed during the planting season (November-December 1974). Due to the drought during 1974-75, the area planted declined from 6.2 to 6.0 million hectares.

Bangladesh's *Boro* rice crop harvested in April-May, accounting for 20 percent of total production, will be somewhat less than expected earlier in the season, but still a good crop at around 2.5 million tons. A shortage of fertilizer and irrigation pumps contributed to the decline, but the major element was an extreme dryspell during March and the first part of April.

The food situation in Bangladesh appears better than last year. Adequate imports are scheduled through the next large harvest at year's end, including about 500,000 tons of wheat and 300,000 tons of rice under U.S. PL 480. Barring any unexpected cancellations or delays, Bangladesh should be able to meet internal distribution needs during 1975.

Thailand's second rice crop (harvested in April) is estimated at about 660,000 tons. Estimates of total rice production in 1974/75 remain at around 9.6 million tons and will allow exports of 1,300,000 tons during calendar 75.

Thailand still is expecting a record sugarcane crop of 14.5 million tons and sugar production of 1.1 million tons.

A typhoon struck the major sugar-growing areas in the central Philippines in January 1975. The resulting reduction in cane yield was more than offset by a 5-percent increase in harvested area and higher sugar yields. Sugar output is estimated at 2.7 million tons (raw basis) in 1974/75, almost 4 percent above last year's old record.

Philippine copra production for 1975 is currently forecast at 1.83 million tons, more than 32 percent above the drought-affected 1974 crop. If the 1.83-million-ton harvest is realized, it would be the second highest Philippine copra crop, exceeded only by the 2.1-million-ton harvest of 1972 when heavy rains were extremely beneficial to coconut growers. If Philippine weather continues good, actual output could easily top the forecast level.

On March 31, 1975, the Philippine Secretary of Agriculture announced a ban on fertilizer imports and indicated no imports would be permitted until sometime after July 1. At the time, the Philippines had fertilizer stocks equivalent to about a 9.5-months supply, or about 600,000 tons.

Indonesia's rice harvest during 1975 may not reach the targeted level of 15.6 million tons because of damage caused by an insect called the "wereng pest" (brown leafhopper). The extent of damage has not been determined, but losses are reportedly quite heavy in East Java where over 200,000 hectares of rice have been destroyed. In an attempt to eradicate the pest, infected areas are burned and not replanted to rice for at least 1 year. Although it will be several months before the government releases any official estimates on the 1975 rice crop, it would appear that the crop may be only

<sup>9</sup>Excludes Communist Asia, West Asia, Japan, Australia and New Zealand.

marginally above the 15 million tons harvested in 1974.

The end of hostilities in Vietnam and Cambodia, together with the return of large numbers of people to the countryside, particularly in Cambodia, should eventually facilitate a significant increase in planted area and output. Yields may decline somewhat in South Vietnam if high-yielding varieties and fertilizer are not readily available. Improved seeds and fertilizer have not been important in Cambodia and resumption of cultivation over large deserted farming areas should result in a considerable increase in output. Weather, of course, will continue to play a dominant role.

South Korea is likely to be the fifth largest foreign market for U.S. agricultural exports in fiscal 1975, following Japan, Netherlands, West Germany, and Canada. During the first 10 months of fiscal 1975 (July-April), U.S. agricultural exports to South Korea reached \$778.4 million, up 42 percent from the \$548.3 million recorded during the comparable part of fiscal 1974.

Large shipments of wheat (1.8 million tons), rice (.5 million tons), and cotton to Korea were reported for fiscal 1975. U.S. corn exports to Korea in fiscal 1975 remained strong. (*Asia Program Area*)

### Latin America

The agricultural situation in Latin America during 1975 will be influenced by the increasing economic impact of high energy and related costs, particularly if world demand for the region's exports continues to weaken. Most countries have given agriculture high priority in energy use and have strengthened other programs to encourage production, so output is expected to maintain a rising trend. A growing need for foreign exchange to support development is expected to stimulate a further rise in exports and encourage efforts to restrict imports of agricultural products during the year ahead.

Heavy rains cut yields of early 1975 feed grain and oilseed harvests in Argentina and dry weather may reduce sugarcane production in the eastern Caribbean. Falling prices encouraged a general cutback in cotton area and coffee production is expected to fall below the high 1974 output of 3.1 million tons. However, Brazil's soybean production increased sharply again. Early food crops are estimated to be up sharply in other countries and moisture conditions remain favorable for pastures and planting of later crops. Latin America sugar output is expected to exceed the 1974 record of 24.5 million tons and further gains are anticipated for wheat, rice, and basic food crops.

The region continued near-record agricultural exports during early 1975 as countries drew on large 1974 carryovers of sugar, oilseeds, and grains—partly to fill forward contract commitments. Cotton and coffee sales were restricted by lower foreign demand, government holding action in some countries, and some exporter resistance to lower prices which resulted in more-than-usual accumulations of stocks. The region's meat trade

remained depressed and cattle numbers were near all-time highs in the main exporting countries, particularly in Argentina and Central America.

January-March agricultural imports were near the high values of a year earlier based upon strong demand in Mexico, the Caribbean, Chile, Ecuador, and Peru. These gains were largely offset by restricted import demand in Central America and other South American countries. Mexico increased feed grain purchases to meet shortfalls in 1974 harvests, but the region's imports of wheat, soybeans, and related products trended down. Trade in dairy, fruit, and vegetable products were near 1974 highs despite advancing prices, and a sharp increase in meat and animal fats was associated with declining import prices. U.S. agricultural exports to Latin America for January-March were up moderately from \$606 million in 1974 to \$637 million in 1975, but total 1975 trade is expected to fall below the 1974 record of \$2.6 billion.

Argentina's 1975 agricultural export availabilities fell from the year-earlier level due to continuing bad weather. Drought cut late 1974 production of wheat to 5.7 million tons and contributed to some reduction in plantings for early 1975 crops. Current production estimates for corn (7.5 million tons) and sorghum (3.9 million) together are 25 percent below the large 1974 harvest of 15.1 million tons. Sunflower production fell sharply and, despite gains in peanuts and linseed, total oilseeds were estimated to be 10 percent below the previous year. Rain and winds also damaged the 1975 fruit crop, with losses estimated at nearly 30 percent for apples and pears.

Argentine maintained a high rate of grain exports through April 1975 and has forward contracts for deliveries, particularly of feed grains, extending through calendar 1975. Export supplies of wheat will be very limited from midyear and lower production will tend to restrict trade in feed grains later in the year. Due to anticipated shortages, exports of edible vegetable oils were banned in 1974, but a quota was granted in 1975 for the export of 30,000 tons of soybean oil. January-April beef exports fell sharply from a year earlier and total trade is expected to decline again this year.

Brazil's agriculture responded to good weather, high prices, and favorable policies. The soybean harvest of 9.6 million tons exceeded the 1974 record by 28 percent and other early food crops increased, including corn (16 million tons) and rice (7.3 million). Brazil is expected to authorize a 10-percent rise in sugar production, which has increased from 6.2 million tons in 1972 to an estimated 7.4 million for 1974. Further expansion is anticipated for wheat plantings with the late 1975 harvest forecast to exceed 3 million tons, compared with 2.75 million for 1974. In contrast, cotton production is expected to continue down sharply and the government is holding large stocks. The 1975 coffee harvest is forecast to be moderately below the 1974 production of 1.6 million tons.

Brazil is expected to rely upon sugar, soybeans and related exports, along with lower wheat imports to

reduce its trade deficit, estimated to be nearly \$5 billion in 1974. Large exports were maintained through the first quarter of 1975 to fill contracts for sugar, soybeans, and soybean meal. Remaining export supplies of 1974 sugar (June-December) along with portions of 1975 output have been committed under prior agreements. The recent harvest is estimated to provide a sharp rise in 1975 sales of soybeans (3.8 million tons) and soybean meal (2.9 million tons) and to permit substantial exports of soybean oil. Corn exports are forecast to reach a volume of nearly 2 million tons.

*Mexico's* cotton acreage was reduced sharply due to declining prices and the current crop is forecast to be the smallest in recent years. Drought in some northeastern areas limited prospects for recovery in sorghum from the low levels (1.7 million ton 1.8 million tons) of recent years. Elsewhere, moisture conditions were reported favorable with irrigation water supplies improved in the Northwest Pacific zones. Rains benefitted plantings of the important food crops in Central Mexico and indicate a potential record corn harvest, exceeding 9 million tons, later this year. Producers shifted from cotton to other irrigated crops; the current wheat harvest is forecast at an all-time high near 2.7 million tons; and safflower production is pegged at a record 550,000 tons. Total oilseed production is forecast down about 10 percent but stocks of seed and meal are at high levels.

Mexican agricultural exports will continue below normal levels in 1975 due to depressed world markets, particularly for cotton and meat. Feed grain imports will be maintained at high levels, but less than the 1974 record of nearly 1.9 million tons. Purchases of wheat, oilseeds, and oilseed meals are expected to decline because of expansion in domestic supplies. Further gains are anticipated for imports of animal products, but total agricultural imports may fall significantly below the 1974 record of \$863 million.

*Other Latin American* countries are expected to cut back cotton acreage this year. Agricultural trade will also be influenced by a smaller banana harvest in Central America and some reduction of sugar output in the eastern Caribbean, particularly Cuba and the Dominican Republic. However, sugar output is expected to increase in other producing countries. A further rise in production of grains, oilseeds, and other basic food crops is anticipated in Central and South American countries. (Howard L. Hall)

## Africa and West Asia

### Africa

Agricultural production in Africa during 1975 shows promise of equaling the record output of 1974. South Africa is completing the harvest of a 10.6-million-ton corn crop which far exceeds early-season prospects and which is the country's second largest. The record crop—11.04 million tons—was harvested in 1974. This will allow heavy corn exports from South Africa in 1975.

But in North Africa, below average crops of wheat and barley have been harvested. Morocco and Algeria were

particularly hard hit by dry weather last fall and winter, and poor crops of wheat and barley resulted.

Import needs of the North African countries are soaring. Morocco imported nearly 1 million tons of wheat in 1974, but will need more than that in 1975 to maintain per capita consumption. Algeria's import needs are equal to Morocco's while Tunisia may need to import around 500,000 tons, nearly double the 1974 imports and the most since 1969.

Egypt has the largest need for imported grain of all the African countries.

Egypt is not suffering from poor crops this year since its entire crop production is irrigated and does not vary significantly from year to year. But limited land under cultivation and a large, rapidly growing population means a food deficit growing larger annually. In 1974 Egypt imported 3.3 million tons of wheat and wheat flour and almost 500,000 tons of corn. Its 1975 imports of these grains are expected to be at least as great. Egypt's food imports are larger than any other African country.

Egypt reopened the Suez Canal for international traffic on June 5. Although many countries will benefit from shipping through the Suez, Egypt will gain the most. Not only will there be welcome revenue from canal tolls, but development of industrial, residential, tourist, and service facilities will bring a huge capital inflow to Egypt, mostly from the oil-rich Arab countries.

Somalia's drought relief program is in full swing. Camps established to administer relief are full. International aid appears adequate to relieve hunger and to start a rehabilitation program for the drought refugees. As of mid-1975, Somalia's drought had not been broken and food production in 1975 is expected to be very low. Drought also continues in regions of southern Ethiopia adjoining Somalia. Emergency relief camps have been established to care for drought refugees, who are mostly pastoral people.

Elsewhere in Africa there are no major emergency conditions, although there are localized pockets of food shortages due to drought, political disturbances, or financial difficulties.

### West Asia

Continued booming demand and soaring imports in 1975 remain the significant developments in West Asia. Record food imports are occurring nearly everywhere—Saudi Arabia, Kuwait, Iran, Iraq, Turkey, Israel, United Arab Emirates. In most of these countries, the root-cause of this phenomenon is the huge amount of foreign exchange accruing from petroleum sales. Consumers are benefitting from these sales by some increase in purchasing power and by their governments' subsidization of basic foods as part of social welfare programs.

The 1975 wheat crop in Turkey is a good one. The May-July harvest is expected to turn out at least 10 million tons, a 20-percent increase over 1974.

Despite a projected record wheat crop of 4.5 million tons, Iran will likely import 2 million tons of wheat to keep up with consumer demand.

Syria and Jordan are experiencing poor grain harvests this summer because of dry weather. The situation is severe in Jordan.

Of significance to agricultural trade for West Asia is the reopening of the Suez Canal. This undoubtedly will alter somewhat the direction of trade, both imports and exports, of the countries in the area by changing

shipping costs. For example, it should cost about \$6 per ton less to ship U.S. grain (or for that matter, Canadian) to Persian Gulf ports, making U.S. rice more competitive with rice from Pakistan, U.S. corn more competitive with corn from Thailand, and most importantly, U.S. wheat more competitive with Australian wheat in West Asian markets. (Robert E. Marx)

## WORLD ECONOMY REFLECTS RECESSION

The world economy today is one in which the short-run challenge of financing higher-priced petroleum imports has been met, but the problems of inflation and economic stagnation have come to the fore. High unemployment exists in developed countries, and the developing countries are especially hard hit by falling export prices.

The petrodollar challenge—the creation in many countries of massive foreign exchange liabilities in favor of the Organization of Petroleum Exporting Countries (OPEC) because of high oil prices—has been met by the recycling of dollars through a variety of bilateral or multilateral financial intermediaries in the form of grants and concessional, or commercial, loans. Repayment of these loans 2 or 3 years hence may be a problem since many were undertaken to maintain consumption rather than to channel funds into long term investments. But for the time being, the availability of foreign exchange is not an immediate problem for most developed, and some developing, countries.

The problem of inflation has receded because of the high levels of unemployment in most developed nations and the improved agricultural supply situation which has led to lower prices for many agricultural commodities and raw materials. In part, the high unemployment and slow economic activity in most developed nations result from fairly tight monetary policies adopted in order to halt the rapid inflation that occurred in 1974.

Unfortunately, most major economies are in about the same phase of the business cycle. This makes the task of reversing the downswing all the more difficult for policy leaders in any particular nation. Prior to 1972, as demand in some economies pushed against full production capacity, the surplus of demand over supply could often be met by importing from other nations which had unused capacity because of a business slump. This eased inflationary pressures in the former, and helped reduce unemployment in the latter. Fortunately, lower commodity prices, due in part to larger supplies, should offset some of the slack demand resulting from slow growth or declining income.

The major economic policy question facing many nations today is the degree to which fiscal and monetary policies should be expansionary. Record high levels of unemployment are present in many countries, but memories of near-record high rates of inflation in 1974 are still strong, and inflationary pressures have not

entirely abated. Thus, policy leaders generally appear to be taking fairly cautious positions.

Many leading economic indicators in a number of developed nations suggest the possibility of increased economic activity in the latter part of 1975, but economic growth rates probably will be modest late this year and through at least the first part of 1976. Consequently, U.S. exports are not likely to be boosted much by overseas economic growth in fiscal 1976.

The price declines of 1975 have or will affect all major categories of primary products—agricultural raw materials, foods, and metals—exported by the developing countries. The average price of these exports in April 1975 was 18 percent lower than during the second quarter of 1974. Some commodities (especially cotton, copper, and rubber), have been particularly hard hit due to the declines in the textile, housing, and auto industries in the developed countries.

Despite a number of economic problems in 1974, total monetary reserves of the non-oil exporting developing countries rose by \$2 billion to about \$30 billion. However, the increase was not spread uniformly and reserves of many countries declined. Reserves were increased by heavy borrowing on the commercial Eurocurrency markets by the more advanced developing countries for a total of \$6.4 billion in 1974. Most developing countries, however, relied on aid flows from bilateral agreements and from international agencies. Official development assistance to the developing countries from the OECD countries equalled an estimated \$11.3 billion in 1974 and an additional \$1.1 billion was given by Communist countries. Roughly \$2.5 billion has flowed from the OPEC members to other developing countries. Net drawings by the developing countries from the regular International Monetary Fund (IMF) credit facility were \$620 million in 1974 and \$74 million in the first quarter of 1975. In addition, the developing countries borrowed over \$1.2 billion from the IMF's specially created oil facility between June 1974 and April 1975.

Members of OPEC earned about \$100 billion from oil exports in 1974, up from a little over \$20 billion the previous year. The 1974 earnings represent about 13 percent of total world exports and are more than the exports of all other developing countries combined. International reserves of OPEC members rose about \$32 billion, to \$47 billion by the end of 1974. However, the

growth in reserves recently has lessened for most members and several had begun drawing down reserves by the end of 1974. Many OPEC members are spending their oil revenues faster than had been anticipated. They

proved to be good markets for U.S. goods last year; total U.S. exports to OPEC almost doubled and U.S. agricultural exports more than doubled. (O. Halbert Goolsby)

## WORLD PRICE DEVELOPMENTS

International agricultural prices, which had dropped sharply since November 1974, have reacted to the prospects of record crops during 1975/76, last year's reduced purchases by centrally planned economies, and the continuing economic stagnation in major developed markets.

The U.S. Gulf port price for wheat (HRW No. 2) was \$3.57 a bushel in May 1975, compared with \$3.82 a bushel in May 1974 (Figure 1). Soybeans (No. 2 yellow), at \$5.50 a bushel were also priced lower than a year ago. The May Gulf port price for corn (No. 3 yellow) at \$2.94 a bushel was lower than during recent month; it was still higher than a year ago. The Gulf port price for wheat had peaked in February 1974 and again rallied to near-record levels in October. Corn and soybeans peaked in October. April 1975 prices of rice, cotton, linseed, copra, tallow, vegetable oils, cattle hides, soybean meal, coffee, beef, and cocoa beans were also lower than in April 1974, while sugar, tea, pepper, tobacco, jute, sisal, butter, lard, and pork prices were higher than a year ago. Agricultural commodity prices had generally peaked by January 1975.

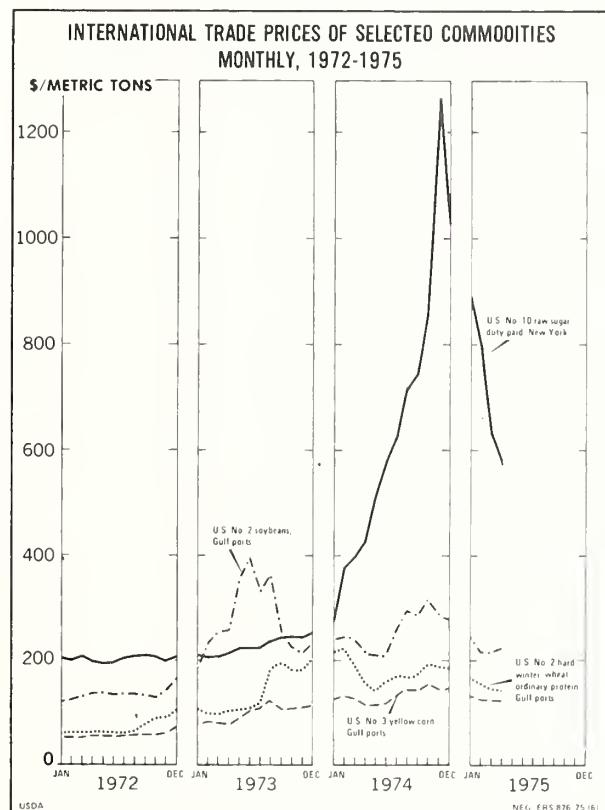


Figure 1

### Farm prices

Good 1975 crop prospects and slackened demand for agricultural commodities were reflected in U.S. farm prices, which stood at an index of 178 (1967=100) in May 1975, 3 percent lower than May 1974. U.S. farm prices for wheat, soybeans, rice, upland cotton, potatoes, and milk were lower than a year ago, while farm prices for coarse grains and meat animals were higher. Farm prices for most U.S. commodities rose from April to May 1975, making an overall gain of 5 percent.

The farm price hikes of 1973 either slowed or were reversed in most developed countries in 1974, but farm prices in many countries still reached all-time highs in 1974 (table 1). In the EC, France, Italy, and Ireland registered improvements in farm prices for crops and livestock, while other members registered declines. But EC cattle prices have generally been on the upswing since late 1974 because of higher price supports and the continued embargo on beef imports, and in May were well above year-earlier prices. Except for Italy and Luxembourg, hog prices were also higher than a year ago, having risen in recent months. In most EC countries, cattle prices have risen faster than hog prices. In Japan, 1974's farm prices rose 31 percent, compared with the 20-percent farm price increase of 1973.

Japanese farmers received about a 30-percent higher return for their rice, wheat, and barley and 15 percent more for livestock products in January 1975 than in January 1974. Potatoes and vegetables made even larger price gains.

In Australia, higher prices for crops in 1974 were nearly cancelled by the sharp drop in livestock prices. Among the developing countries, India, Pakistan, and Turkey had faster increasing wholesale prices for wheat and corn in 1974 than 1973, largely because of poor domestic crops. In Thailand, wholesale rice prices rose 44 percent in 1973 and 1974, and wholesale corn prices were also up, but at a slower rate than during 1973. Argentina's wheat and corn prices rose more rapidly during 1973 than during 1974, but rice prices made more rapid gains in 1974. In the United States, wheat and corn prices also rose more rapidly in 1973 than in 1974, but rice prices declined.

### Prices of Agricultural Inputs

While U.S. farm prices are down from a year ago, farming expenses have continued to climb. The U.S. index of prices paid, interest, taxes and wage rates rose to 183 (1967=100) in May 1975. Fertilizer costs were 33 percent higher than a year earlier and motor vehicle and interest charges rose substantially. Feeder livestock prices, reflecting higher prices for finished meat

Table 1 --Index of prices received by farmers in selected countries

Country	:	1972	:	1973	:	1974	:	1973	1974			1975	
									IV	I	II	III	
<u>1970 = 100</u>													
Australia	:	117		165		n.a.		167	172	161			
Belgium	:	107		121		113		121	121	113	108		114
Canada	:	115		165		193		194	198	199	190		184
France	:	118		131		135		130	134	132	133		141
Germany	:	116		125		118		126	122	116	115		120
Ireland	:	130		165		177		175	175	181	172		184
Italy	:	116		145		164		148	162	160	164		174
Japan	:	105		126		164		140	155	164	166		172
Netherlands	:	109		122		116		116	121	116	111		113
New Zealand	:	123		173		157		181	176	162	151		139
Norway	:	107		113		140		118	114	114	132		
Portugal	:	114		130		n.a.		135	147				
Spain	:	125		141		n.a.		141	144	157			
Sweden	:	110		121		132		127	130	129	133		135
United Kingdom	:	113		146		n.a.		n.a.	167	153			
United States	:	114		156		166		166	183	180	158		162
Yugoslavia	:	156		196		222		204	211	213	222		224
	:												

animals, were 7 percent higher than a year ago. In April, feeder livestock prices rose for the first month since August 1974. Even with the recent declines in corn prices, animal product-feed price ratios have been well below levels that usually encourage increases in product output.

From January 1974 to January 1975, Japanese farmers' costs rose 55 percent for fertilizers, 41 percent for feed, 24 percent for pesticides, and 30 percent for agricultural implements—larger increases than the price hikes faced by U.S. farmers.

EC cattle and hog prices generally rose while feed prices changed little in early 1975. Corn gluten feed meal, soybean meal, rice bran meal, tapioca, citrus pulp, and animal fats have become relatively inexpensive feeds in the Netherlands, the major EC feed mixing country. Among grains, corn prices were more attractive than EC soft wheat, but the relatively low prices of corn gluten feed meal, oilseed meals, tapioca, and U.S. citrus pulp have made these feeds more attractive than feed grains. Thus, in early 1975 grains comprised a declining share in mixed feed rations. Even though world prices of corn have declined in recent months, EC feed manufacturers purchase corn at the EC threshold price, which is currently above world market prices. Since most nongrain feed ingredients—including soybean meal—are not subject to the EC threshold price and import levy system, declining world market prices make these ingredients relatively attractive compared to grains.

#### Export and Import Unit Values

Unit values for U.S. agricultural exports and imports, reflecting international prices, have also taken a downturn. The April 1975 index of U.S. export values at 222 (1967=100) was the same as a year earlier. The export unit value index in April, however, was 12 percent lower than the November 1974-January 1975 plateau, with the export unit value of nearly every major agricultural commodity having declined. Wheat, soybean meal, rice, inedible tallow, and whole cattle hides were valued less than in April 1974, but wheat flour, corn, sorghum, soybean, soybean oil, cotton, tobacco, and nonfat dried milk export unit values were still above a year ago. Overall, U.S. agricultural export unit values were 33 percent higher in calendar 1974 than in 1973. The April 1975 U.S. index of import unit values at 226 (1967=100) was off 6 percent from the December 1974 peak, but 24 percent higher than in April 1974.

Soaring sugar import unit values, which were the main force in driving up the U.S. import unit value index, skidded from their January peak. In comparison to April 1974, the higher import unit values for sugar and cocoa beans offset the lower beef and rubber import unit values. While the U.S. agricultural export prices rose 20 percent from January 1974 to January 1975, West Germany—the world's largest importer of agricultural commodities—had a 6-percent decline in agricultural

import prices, largely because of the strengthened position of the German mark in international money markets. Meat and livestock, oilseeds, vegetable oils, protein meals, and grains were all imported at a lower unit value than they were a year earlier. In contrast, the price index of Japan's imported foodstuffs rose 56 percent from December 1973 to December 1974.

#### Consumer Prices for Food

In May 1975, the U.S. Consumer Price Index for food steadied at 172 (1967=100), about the same as it was for the 3 previous months and 8 percent higher than in May 1974. The steadiness of recent food prices may portend the end of the massive food price hikes of the past 2 years.

The 1974 rise in food prices was nearly worldwide, with most countries experiencing a faster rise in 1974 than in 1973. The U.S. consumer price index for food rose by about 14.5 percent in both 1973 and 1974 (figure 2 and table 2). Food prices in Italy, Republic of South Africa, Australia, Spain and Sri Lanka rose at about the same rate as in the United States in both 1973 and 1974. Japan's food prices rose 28 percent in 1974, compared with 13 percent in 1973. India's food prices rose 22 percent in 1973 and an additional 29 percent in 1974. Most developing countries experienced similar large price hikes. In contrast, most EC countries, Sweden,

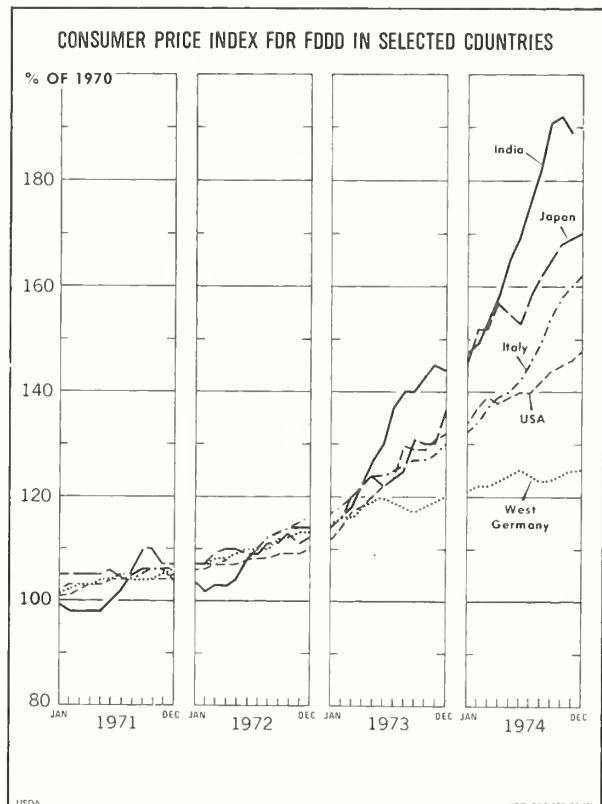


Figure 2

Table 2.--The food component of the consumer price index in selected countries

Country	: 1972		: 1973		1974				: 1975											
	: 1972		: 1973		: 1974		: IV	: I	: II	: III										
	: 1972		: 1973		: 1974		1970=100													
:																				
----- 1970=100 -----																				
Argentina	: 231	359	413	379	373	389	409	479												
Australia	: 108	124	145	182	138	143	147													
Austria	: 110	118	128	121	125	127	130	131	132											
Bangladesh	: 148	217	n.a.	250	266	304	339													
Belgium	: 109	117	128	119	123	127	131	132												
Cameroon	: 119	130	148	130	140	144	145	161	171											
Canada	: 109	125	145	132	136	142	148	153	155											
Czechoslovakia	: 99	100	100	99	99	100	100													
Denmark	: 116	131	147	138	140	144	148	155	155											
Ecuador	: 118	142	187	159	166	192	192	203												
Egypt	: 108	116	n.a.	122	127	135														
Ethiopia	: 88	99	108	99	106	110	108	107	100											
France	: 115	126	141	131	134	139	142	146	148											
Germany, West	: 110	118	124	119	122	124	124	125	127											
Greece	: 109	133	169	153	163	170	169	175	180											
Guatemala	: 98	117	136	124	123	127	132	160	169											
India	: 108	132	170	144	149	164	183	190												
Indonesia	: 113	162	227	184	217	229	227	240												
Iran	: 116	124	144	127	135	147	144	148												
Ireland	: 120	140	160	144	149	157	163	173												
Israel	: 123	149	215	162	196	208	205	253												
Italy	: 111	124	146	128	134	140	149	160												
Japan	: 110	124	159	132	150	155	161	169												
Jordan	: 118	140	189	154	183	201	181	191												
Korea	: 135	138	176	143	164	171	183	188												
Liberia	: 91	118	144	121	137	143														
Malawi	: 116	124	144	129	140	143	143	151												
Malaysia	: 105	121	152	137	148	151	154	158												
Mexico	: 102	108	129	147	165	169	175	181												
Morocco	: 112	118	141	126	141	138	140	145												
Mozambique	: 116	127	152	129	148	151	159													
Netherlands	: 111	120	129	123	126	126	129	133	135											
New Zealand	: 114	127	141	134	137	140	144	147												
Niger	: 123	144	147	149	145	144	154													
Nigeria	: 128	125	150	116	143	153	154													
Pakistan	: 105	131	171	148	154	163	180	187												
Paraguay	: 121	147	183	148	192	183	178	180												
Peru	: 115	126	163	132	138	147	155													
Philippines	: 157	164	233	190	210	233	254	241												
Poland	: 100	100	107	100	103	105	109	106												
Portugal	: 120	131	173	141	153	165	181	193	200											
Republic of South Africa	: 112	129	149	136	137	143	154	161												
Spain	: 118	133	152	141	142	148	154	162												
Sri Lanka	: 108	122	139	131	133	135	141	147	149											
Sweden	: 119	126	134	129	132	130	133	139												
Thailand	: 107	123	157	129	143	160	162	165												
Turkey	: 127	152	178	160	163	173	189	201												
United Kingdom	: 121	139	164	148	156	162	165	174	183											
Uruguay	: 241	489	n.a.	602	667	728	847													
Venezuela	: 110	117	133	121	122	122	141	147	147											
United States	: 108	123	141	130	136	139	142	146												
Yugoslavia	: 139	169	200	182	194	202	200	214												
Zaire	: 110	146	170	182	215	225	219	223												
Zambia	: 112	119	n.a.	122	128	129	130	131												

Source: International Labor Office, Bulletin of Labor Statistics.

New Zealand, and most centrally planned economies had a slower rate of inflation in food prices. West Germany, whose food prices increased 5 percent in

1974, was one of the few countries where food prices increased less in 1974 than in 1973. (H. Christine Collins)

## WORLD FERTILIZER PROSPECTS IMPROVED

The world fertilizer outlook is improving. Supplies of nitrogen and phosphate fertilizer, which have been in shortest supply, will be greater this year, and their prices on spot markets have already fallen. Recent events—including cancellations and delays in planned fertilizer purchases, overbidding on international tenders, and falling prices—all indicate an improving supply situation.

The high world prices for fertilizers, which in 1974 had reached three to four times their 1973 levels, are still an impediment to increased fertilizer consumption, particularly in the developing countries which depend heavily on fertilizer imports and have limited foreign exchange resources. Some developing countries built up stocks of high priced fertilizers last year and are having difficulties selling them to their farmers at the higher prices that prevailed earlier.

In the last few months fertilizer prices have declined substantially and this trend is likely to continue. International prices for urea recently declined from \$350-\$360 per ton to \$190 per ton in a 30-day period. Industry sources indicate that spot prices for urea have declined to about \$150 or \$160.

Greater supplies in 1975/76 should assist in improving the situation. Estimated world capacity increases for nitrogen, phosphate, and potash are 7.6 percent, 12.4 percent, and 3.3 percent, respectively. World consumption of nitrogen, phosphate, and potash are estimated to increase 6.3, 5.2, and 5.0 percent, respectively. While estimating production from capacity is uncertain, it appears that nitrogen and phosphate fertilizers should be sufficient to meet expected consumption levels. Potash supplies should be sufficient, if existing Canadian capacity can be quickly renovated.

Currently, substantial amounts of fertilizer materials seem to be available for international trade. Recent Chilean, Bangladeshi, and Pakistani tenders for fertilizer all brought bids for amounts totalling much more than the quantities requested. This situation contrasts sharply with last summer and fall, when very little material was available in spite of record high prices.

At the request of the People's Republic of China (PRC), Japanese nitrogen exporters are delaying previously contracted shipments to PRC. Chinese balance of payments difficulties are reported to be the cause. While

still the world's leading net importer of nitrogen, Chinese nitrogen imports have declined substantially since their high in 1970/71, and 1974/75 imports will be 40 percent less than in 1973/74. This should free some additional supplies for other importers; Japanese exports to India in 1974/75, for example, are one-third above last year's level.

India has reportedly cancelled several hundred thousand tons of mixed fertilizers contracted from European suppliers. Bad weather, shortages of irrigation water, and high fertilizer prices reduced fertilizer demand for the winter crop and fertilizer inventories in India are reportedly high.

Recent reports from both Morocco and Tunisia indicate that lack of demand in reducing their exports of phosphate rock and products below expected levels. Morocco, for example, may trim production schedules this year to about 19.5 million tons of rock, compared with the planned level of 22.5 million tons, in order to maintain phosphate rock prices. But some mild price cutting has already been reported. The diminished rock exports or prices would likely have an unfavorable impact on Morocco's balance-of-payments position.

In 1975/76, U.S. production is expected to increase 4 percent for nitrogen and over 12 percent for phosphate, compared with perhaps a 4-percent consumption increase. Some industry experts expect virtually no gain in consumption this year.

Fall fertilizer demand in the U.S. was not strong, and inventories have built up somewhat over the low levels of last year. This spring, wheat and corn prices have trended downward, and cotton prices have declined to roughly their previous normal levels. Farmers' input prices, including fertilizer, have gone up and remain at high levels, and net farm income has fallen. U.S. farmers no longer face acreage restrictions, and many have invested in more and larger machinery. Under these conditions—particularly the risk of lower producer prices, higher fixed investment costs, and uncertain weather—U.S. farmers may decide to reduce fertilizer application rates, but maintain total production by cropping more area. Because of its size, relatively slight changes in the U.S. fertilizer situation can have a substantial impact on international markets for fertilizer. (Richard B. Reindiger and Henry C. Trainor)

## U.S. AGRICULTURAL TRADE

The value of U.S. agricultural exports rose 5 percent to \$18.7 billion in July-April 1974/75, indicating that the \$22-billion forecast for fiscal 1975 should be confirmed. All of the increase occurred from higher prices since

volume declined by around 15 percent during the first 10 months of fiscal 1975. The export unit value may gain about one-fourth during fiscal year 1975 compared with a year earlier.

Prices for most commodities climbed sharply in late summer and early fall of 1974 because adverse weather caused a shortfall in U.S. production and world stocks of most commodities were extremely low. But prices have declined rather sharply since November. Some of the reasons for this rather precipitous drop in prices include prospects of record crops during 1975, reduced purchases by centrally planned economies, and continuing economic stagnation in major developed markets.

Lower prices will probably push the value of U.S. agricultural exports in fiscal 1976 down by about one fifth to possibly \$18 billion. This decline in value is expected despite the fact that export volume may rise by as much as 10 percent.

U.S. imports of farm products may fall to less than \$9 billion in fiscal 1976 from the \$9.7 billion forecast for fiscal 1975. Thus, agriculture's favorable contribution to the U.S. trade balance will probably be a record high of over \$12 billion in fiscal 1975, but might fall to around \$9 billion in fiscal 1976, which would still be the third highest on record.

The price rises in fiscal 1975 should push the export value of grains and preparations up by \$1 billion to \$11.8 billion. But the value may fall to around \$9.5 billion in fiscal 1976 despite some gain in volume. Wheat exports in fiscal 1976 are expected to total around 30 million tons, much the same as a year earlier. Feed grain exports should rise to around 38 million tons in fiscal 1976 from the 33.4 million tons during the previous year. Rice exports may drop slightly in fiscal 1976 from the 2.3 million tons during fiscal 1975.

The export value of oilseeds and products may total around \$5.1 billion in fiscal 1975, down from the \$5.2 billion a year earlier. In fiscal 1976 the value may total slightly over \$3 billion because of lower prices for vegetable oil and soybeans. Soybean exports during fiscal 1976 may total about 11.1 million tons, about the same as in fiscal 1975. Soybean oil may total 413,000 tons, and soybean meal 4.3 million tons in fiscal 1976.

Cotton exports in fiscal 1976 may slightly exceed \$1 billion; volume may range from 3.8 to 4.3 million running bales.

Not much improvement is anticipated in exports of livestock and livestock products for fiscal year 1976; exports are forecast to remain near the \$1.5-billion level expected for this year.

The value of our agricultural exports to Canada in fiscal 1976 may level off or decline slightly from the \$1.25 billion expected this year. Corn sales to Canada

are likely to be up in fiscal 1976, but soybean export volume will be down. Canada is considering an increase in import duties for many fruits and vegetables; if implemented, the increase would dim the otherwise good prospects for U.S. exports of these items. Liberalization of quotas on slaughter cattle, beef, and turkey meat would enhance sales of animals and animal products to Canada in fiscal 1976.

Western Europe's demand for feed grains should continue strong into fiscal 1976, and our soybean exports should increase over this year's relatively low level—currently estimated at nearly 360 million bushels. The volume of our farm exports to Western Europe in fiscal 1976 is expected to rise, but because of the anticipated decline in prices, value could drop from the \$7.4 billion expected for fiscal 1975 to \$6.3 billion. The same pattern is expected for exports to Japan, with value perhaps falling from \$3.4 billion to \$2.8 billion.

After declining this fiscal year, the USSR's imports of U.S. farm products are forecast to increase to around \$500 million in fiscal 1976. Grain exports are projected to increase substantially in volume, and may be boosted further if the current production forecast holds through the crop season.

Fiscal 1976 prospects for exports to the People's Republic of China are not optimistic. No outstanding contracts remain for corn, wheat, and soybeans. Fiscal 1975 exports to China are now expected to total a little over \$300 million, a sharp drop from last year's \$851 million.

OPEC nations are expected to continue to be strong markets in fiscal 1976. With increased wealth from petroleum revenues, these countries have become fantastic growth markets for U.S. agricultural exports. This year's value total is expected to be about \$1.8 billion, an increase of about 70 percent over the fiscal 1974 total.

Latin America is expected to take about \$1.8 billion of U.S. agricultural exports in fiscal 1976, considerably less than in fiscal 1975. Purchases of feed grains and rice are expected to be down sharply, while soybean and soybean products may go up in quantity but down in overall value. Mexico is a large Latin American market, taking over \$800 million in this fiscal year, primarily in feed grains, but purchases are expected to drop off considerably next year.

The outlook for fiscal 1976 exports to Africa indicates exports about equal to fiscal 1975 volume, but a decline in value to below the \$1-billion mark, due to the downward trend in export prices. (Dewain H. Rahe)

## FOLLOWUP TO THE WORLD FOOD CONFERENCE

Various international actions to follow up on resolutions passed by the World Food Conference in November 1974 are in different stages of development. Many were to be discussed at the first meeting of the World Food Council in June 1975. The Council was established by the U.N. General Assembly on the

recommendation of the World Food Conference to help implement the Conference's recommendations.

### World Food Security

The United States has been cooperating with other countries to improve world food security. On March 25,

1975, the United States notified the Food and Agriculture Organization of the United Nations (FAO) that it would participate in the International Undertaking on World Food Security proposed by FAO Director-General Boerma and endorsed by the World Food Conference. The United States also took the lead in starting work to establish an internationally coordinated system of nationally held grain reserves, with a view to accelerating the implementation of the principles contained in the proposed Undertaking. The first of several meetings of an ad hoc preparatory group was held under the auspices of the International Wheat Council in London during February. The purpose of the meetings was to examine the possible bases for a new international wheat agreement with provisions for a grain reserve system.

It is envisioned that such an agreement would provide for: (1) an exchange of information on levels of reserve and working stocks, crop prospects, and intentions regarding exports and imports, (2) an agreement on the amount of grain reserves to be held, (3) a sharing of the responsibility for maintaining reserve stocks, and (4) the adoption of rules for the acquisition and release of reserves.

The United States has indicated that it is prepared to cooperate with other nations in holding enough grain reserves to meet potential shortfalls in food grain production. The United States has also said that grain exporters and importers should agree on a fair distribution of the responsibility for maintaining reserves, and that each participating country should be free to determine the manner in which its reserves would be maintained. It is the U.S. view that rules or guidelines for the buildup and release of reserve stocks should be agreed upon in advance and aim at assuring the availability of supply. Furthermore, the United States believes that there should be provisions to ensure that reserves would not be released either prematurely or excessively. The United States is encouraging all major importing and exporting countries to participate in such an international reserves agreement so that both the benefits and costs of such an agreement can be widely shared. (*W. Scott Steele*)

#### **FAO World Agricultural Information System**

The FAO Global Information and Early-Warning System on Food and Agriculture is designed to identify areas with imminent food problems, monitor world supply-demand conditions, and, thus, contribute to the successful operation of world food security measures. It represents an expansion of ongoing FAO agricultural information activities proposed by the World Food Conference. FAO allocations for the system are proposed to be increased from about \$3 million in the 1974-75 biennium to something under \$5 million in the new FAO budget. The U.S. role in the system is determined by its membership in FAO. The United States provided 25 percent of FAO's budget of about \$100 million in 1974-75, and expects to provide the same

percentage of the proposed \$180 million budget for the 1976-77 biennium.

Improvement of the system's operation depends upon the broader participation of governments and improvement of their own data collection and analysis. It is not clear if, or to what extent, the Soviet Union—which is not a member of FAO—and the People's Republic of China will participate in the system.

The United States has voiced full support for the system's objectives and has agreed that working arrangements proposed by FAO provide appropriate general guidelines for initiating the system. The United States has expressed willingness to cooperate in making available the appropriate information generated by USDA and other agencies as necessary. USDA has established an intradepartmental working group to review and coordinate FAO information requests in order to transmit such information in a timely manner. (*Richard M. Kennedy*)

#### **Increased Aid for Food Production**

The United States is supporting the creation of a new International Fund for Agricultural Development to assist the developing countries in increasing their own food production. Initially, total commitment of funds should be at least \$1 billion per year. In addition, a Consultative Group on Food Production and Investment has been created as a new international institution to coordinate aid activities among traditional donor nations, new donor nations, and developing countries in need of greatly increased local food production. Both institutions were proposed by the World Food Conference.

#### **Food Aid**

Because President Ford's budget, submitted in January, contained a major increase for food aid to hungry peoples in poorer nations, total U.S. food aid for fiscal 1975 will be about 5½ million tons. That amount would represent more than a 2-million-ton increase over the quantity programmed in the previous fiscal year. The United States has pledged that it will continue to provide at least 4 million tons of food aid annually.

#### **Multilateral Trade Negotiations (MTN)**

The first major Multilateral Trade Negotiations since the conclusion of the Kennedy Round in 1967 are underway in Geneva following agreement between the United States and the European Community on certain procedural matters. This new round of negotiations (the MTN) is to deal with all types of trade barriers, both to agricultural and industrial products.

Preparatory work has been proceeding under the guidance of a Trade Negotiations Committee (TNC) through bodies set up in February 1974 by the TNC, including Tariff, Non-tariff Measures, and Agriculture Groups. In accordance with the Trade Act of 1974, which authorizes U.S. participation in the MTN, the United

States Government is now consulting with technical and policy advisory groups from the U.S. private sector, and holding public hearings as part of the process of formulating U.S. negotiating objectives for the MTN.

The United States strongly supports the MTN and

believes that liberalization of world agricultural trade can support many of the objectives of the World Food Conference by helping achieve a more efficient allocation of resources in world food production. (Joseph R. Barse)

## WORLD GRAIN PROSPECTS IMPROVE

### 1974/75 Production

Completion of the Southern Hemisphere's wheat and coarse grain harvests has brought the 1974/75 world grain production year to a close. Comprehensive preliminary data set 1974/75 world production of wheat, milled rice, and the five major coarse grains—barley, corn, oats, rye, and sorghum—at 1,142 million metric tons or roughly 52 million tons below the 1973/74 record. While production outside the United States, Canada, the USSR, and South Asia hit record high levels, the total world 1974/75 grain crop fell about 68 million tons below June 1974 forecasts and over 51 million tons below trend (figure 3 and tables 3 and 4).

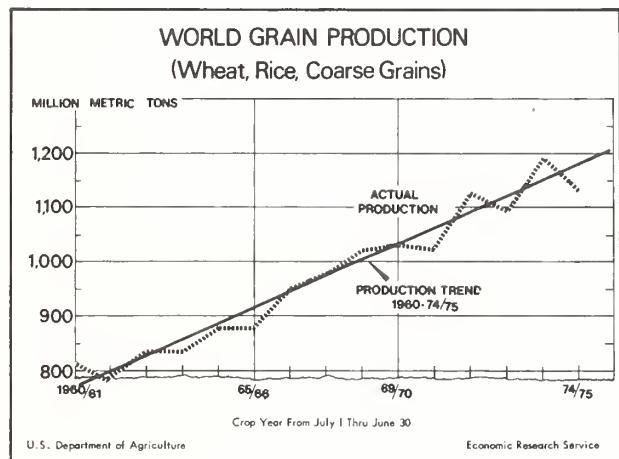


Figure 3

World grain production has tended to increase roughly 30 million tons per year since 1960/61. But over two-thirds of this increase was needed to maintain world per capita production levels; the remaining one-third was used to increase per capita availability. Of this increase, roughly 90 percent was used to raise per capita consumption in the developed and Communist countries, while less than 10 percent was used in the developing countries.

The 1974/75 poor harvest reduced world per capita production from 312 kilograms to 293 kilograms, or to roughly the level prevailing in the mid-1960's. The drop was much sharper in the developed and communist countries, however, than in the developing countries. While grain production in the developing countries fell 5 million tons from 160 kilograms to 154 kilograms per capita, production in the communist countries fell 15

million tons from 372 kilograms to 354 kilograms per capita; production in the developed countries fell 30 million tons from 617 kilograms per capita to 572 kilograms per capita (table 5).

Preliminary data also indicate that world grain area harvested reached an all-time high of 645 million hectares in 1974/75. The poor 1974/75 crop was due largely to adverse weather which reduced the composite world wheat, milled rice, and coarse grain yield to 1.77 tons per hectare from the 1973/74 high of 1.87. The effect of this record acreage but poor yields varied by geographic region and by individual grain.

### Wheat

The largest percentage drop in 1974/75 production was reported for wheat. While the United States and most of Western Europe reported record harvests, poor crops in the other major exporting countries, the USSR, and the Indian subcontinent pulled world production down to 350 million tons, 19 million tons below 1973/74 and 21 million tons below trend (figure 4 and tables 6 and 7). The bulk of this drop was concentrated in the Soviet Union where generally unfavorable weather in part of Siberia cut the spring wheat crop, reducing total wheat production from 110 million tons in 1973 to 84 million tons in 1974. Wheat production in India was also adversely affected by weather. Final estimates put total 1974 wheat production at 22.1 million tons, compared with 24.7 million the previous year. Poor crops in these two countries accounted for more than the total drop in world wheat production.

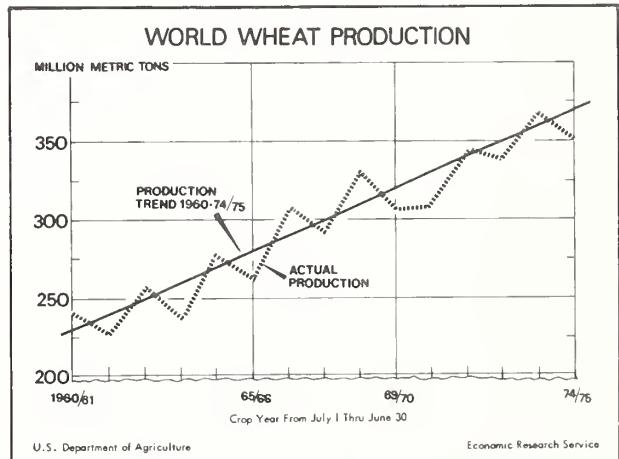


Figure 4

Table 3 - World grain production deviation from 1960/61-1973/74 Linear trend

	Actual	Trend	Deviation
- - - - - 1,000 Metric tons - - - - -			
Total Grain			
1960/61-62/63	799.2	793.0	+ 6.2
1969/70-71/72	1,069.2	1,070.2	- 1.0
1972/73	1,101.4	1,131.9	-30.5
1973/74	1,194.1	1,162.6	+31.5
1974/75	1,141.8	1,193.5	-51.7
Wheat			
1960/61-62/63	233.2	234.0	- .8
1969/70-71/72	323.2	329.0	- 5.8
1972/73	339.0	350.1	-11.1
1973/74	368.8	360.6	+ 8.2
1974/75	349.9	371.2	-21.3
Coarse Grain			
1960/61-62/63	410.1	399.7	+10.4
1969/70-71/72	538.5	538.2	+ .3
1972/73	559.3	569.0	- 9.7
1973/74	607.3	584.4	+22.9
1974/75	572.2	599.8	-27.6
Rice			
1960/61-62/63	155.9	159.3	- 3.4
1969/70-71/72	207.5	203.0	+ 4.5
1972/73	203.1	212.8	- 9.7
1973/74	218.0	217.6	+ .4
1974/75	219.7	222.5	- 2.8

Source: USDA/ERS

Table 4. World grain production, consumption and net exports, 1960/61-62/63, 1969/70-71/72, 1972/73, 1973/74, and 1974/75. <sup>1/</sup>

June 5, 1975															
1960/61-62/63					1969/70-71/72					1973/74					
Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption											
1,000 Metric Tons															
developed	314,724	299,146	19,903	400,605	374,773	31,502	421,337	398,623	61,980	448,673	399,460	57,567	418,998	372,518	58,460
United States	165,236	130,667	32,756	203,733	169,004	30,776	226,990	181,569	71,944	236,155	171,985	72,875	202,961	145,611	64,752
Canada	22,870	14,225	9,701	33,394	20,145	8,844	33,301	20,844	18,738	34,890	21,288	13,031	29,812	22,187	12,736
FC-9	20,198	90,578	-21,574	93,177	110,752	-16,838	102,911	116,426	-12,564	105,492	116,911	-11,198	107,024	117,593	-10,226
Other Western Europe	20,176	24,492	-4,774	23,661	33,511	-4,555	29,837	35,903	-5,348	29,204	37,908	-9,241	37,393	42,924	-6,624
South Africa	6,884	4,710	2,198	10,144	7,143	2,429	6,283	7,531	413	13,671	8,065	4,011	12,277	8,435	3,950
Japan	15,534	20,94	-5,557	12,634	28,011	-14,415	11,516	29,302	-16,944	11,534	30,281	-10,224	11,693	29,281	-18,050
Australia-New Zealand	10,726	4,387	6,642	14,902	6,205	10,661	11,049	7,043	5,741	17,827	7,022	9,313	17,263	6,575	11,922
entirely planned	275,630	276,270	-3,061	375,264	391,255	-6,678	384,465	415,154	-31,459	438,026	442,252	-16,292	423,002	443,117	-12,791
Eastern Europe	56,763	63,766	-6,721	73,749	81,538	-7,475	93,874	95,985	-7,659	85,821	90,938	-5,811	89,211	95,781	-7,746
USSR	123,343	116,048	7,299	164,069	170,038	3,929	157,436	176,182	-19,746	207,463	200,774	-5,313	181,927	191,077	-650
China	95,519	91,156	-3,639	136,546	139,679	-3,132	141,044	145,078	-4,054	144,742	150,540	-5,793	151,864	156,259	-4,395
developing	211,966	222,049	-12,008	286,626	305,666	-18,642	289,733	321,409	-22,625	300,344	330,427	-27,136	295,480	334,339	-37,510
Middle America	9,623	10,444	-950	15,801	17,003	-1,053	14,630	18,755	-3,268	16,058	19,144	-3,765	15,064	20,113	-5,608
Venezuela	514	900	-386	834	1,765	-679	2,104	1,263	-1,263	690	1,971	-1,253	819	2,119	-1,293
Brazil	13,970	15,903	-1,319	16,894	21,526	-675	20,604	24,845	-2,709	21,266	24,197	-2,799	23,622	24,867	-998
Argentina	13,943	8,136	5,185	11,374	8,244	22,833	9,137	12,318	10,774	12,305	10,333	19,777	11,857	8,717	
Other South America	5,676	6,400	-1,142	7,006	2,107	6,555	9,694	3,310	10,289	7,103	10,289	-3,133	7,665	10,427	-2,649
North Africa/Middle East	31,577	36,863	-5,512	39,627	48,763	-9,156	44,332	53,101	-7,809	37,034	51,939	-13,472	41,596	56,660	-15,918
Central Africa	13,155	14,035	-381	15,952	17,787	-1,937	15,526	17,568	-2,071	15,133	17,453	-2,299	15,754	18,016	-2,259
East Africa	5,325	6,163	167	7,084	6,065	-71	7,015	6,961	740	7,678	7,303	586	7,724	7,472	-196
South Asia	82,456	87,688	-6,117	108,235	113,920	-5,739	109,396	117,335	-5,455	117,644	124,854	-7,463	109,068	120,436	-9,652
Southeast Asia	16,696	12,855	3,939	22,879	19,640	3,242	19,295	18,486	1,291	22,681	19,712	2,680	22,194	19,192	2,948
Last Asia	19,901	24,192	-4,392	29,730	37,806	-8,393	23,768	40,631	-10,447	31,278	41,260	-10,601	32,97	43,080	-10,600
rest of World	4,789	5,733	-944	5,548	7,836	-2,286	5,860	8,305	-2,445	5,565	8,266	-2,701	5,555	8,170	-2,215

1/ World Totals taken from the Foreign Agricultural Service's Foreign Agricultural Circular on Grains. Regional totals may not sum to world totals due to reporting constraints, and reporting of regional totals is discontinued after 1961.

Developed nations in country and community coverage and funding, regional country composition follows:

II. Centrally Planned  
South Africa (Republic of South Africa, Botswana, Lesotho, Namibia, Swaziland).  
East Europe (Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Yugoslavia).

### III. Less Developed

Asi

- a. Indonesia
- b. High income East Asia (Hong Kong, Singapore, South Korea, Taiwan, Brunei).

C. Low income East Asia (Philippines, Malaysia)

With East Asia

a. Thailand

b.

th Asia a, India

b.

h Africa/Middle East (Algeria, Bahrain, Cyprus, Iran, Iraq, Israel, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates)

20

June 5, 1975

Table 5 Per capita world grain production, consumption and net exports, 1960/61-1962/63, 1969/70-1971/72, 1972/73, 1973/74 and 1974/75

	1960/61-62/63	1969/70-71/72	1972/73	1973/74	1974/75
	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption
kilograms					
Developed					
United States	490	466	31	567	531
Canada	904	751	176	1,005	814
EC-9	1,252	779	531	1,519	945
Other Western Europe	300	388	-92	370	400
South Africa	263	319	-57	349	409
Japan	376	254	118	421	296
Australia-New Zealand	164	219	-56	122	268
Centrally Planned	827	338	512	973	405
Eastern Europe	280	284	-3	333	347
USSR	482	542	-57	567	649
China	565	532	33	680	700
Developing	148	153	-6	160	184
Middle America	152	160	-9	165	176
Venezuela	161	175	-16	200	215
Brazil	64	111	-48	77	164
Argentina	189	216	-26	210	227
Other South America	621	387	247	814	471
North Africa	118	142	-24	114	148
Central Africa	223	260	-39	219	270
East Africa	90	96	-6	88	99
South Asia	119	115	4	123	121
South East Asia	137	146	-10	147	155
East Asia	228	175	-54	246	211
Total above	114	138	-25	134	171
	136	162	-27	126	178
	264	264	1	295	298
				1	293
				304	312
				1	308
				2	293
				2	297
					2

Based on Table I.

Table 6 World wheat production, consumption and net exports, 1960/61-62/63, 1969/70-71/72, 1972/73, 1973/74, and 1974/75

	1960/61-62/63	1961/62-63	1962/63	1963/64	1964/65	1965/66	1966/67-71/72	1967/68	1968/69	1969/70-71/72	1970/71	1971/72	1972/73	1973/74	1974/75	
1,000 Metric Tons																
Production	Con-	Con-	Net	Pro-	Con-	Net	Pro-	Con-	Net	Pro-	Con-	Net	Pro-	Con-	Net	
Consumption	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction
Consumption	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction	sumption: exports	duction
Developed																
United States	94,067	74,218	21,206	111,789	87,572	28,548	116,795	90,949	46,105	128,016	86,843	43,306	132,674	89,094	47,943	
Canada	33,375	16,306	18,142	40,025	21,903	17,701	42,046	21,867	31,746	46,497	20,646	30,959	48,806	10,661	29,611	
EC-9	12,405	3,969	9,455	13,901	4,672	11,661	14,514	4,764	15,692	16,559	4,653	11,425	14,221	6,100	11,400	
EC-6	29,647	35,870	-7,190	36,644	40,673	-3,226	41,436	43,237	-285	40,401	37,395	40,401	47,784	+2,937		
EC-3	25,538	27,177	-2,534	31,446	30,932	+1,168	35,813	32,874	-4,292	35,621	31,410	2,963	38,033	31,950	6,650	
Other Western Europe	4,089	8,693	-4,656	4,998	9,741	-4,694	5,623	10,363	-4,577	5,774	8,991	-3,138	6,751	9,830	-3,113	
South Africa	8,463	10,539	-2,065	9,385	10,763	-777	9,957	10,503	-242	9,334	9,911	-371	11,314	10,569	+64	
Japan	782	914	-1,33	1,661	1,337	-58	1,746	1,481	-535	1,871	1,442	1,609	1,649	+11		
Australia-New Zealand	7,748	4,247	-2,683	557	5,252	-4,696	284	5,558	-5,444	202	5,385	-5,323	232	5,562	-5,380	
Centrally Planned Eastern Europe	103,585	108,193	-4,288	146,901	158,438	-3,678	148,259	171,055	-22,595	171,616	171,772	-9,235	149,038	161,399	-7,110	
USSR	17,231	23,012	-5,460	26,260	31,016	-4,563	30,666	34,577	-3,710	31,682	35,752	-4,149	33,989	35,655	-2,915	
China	19,167	62,174	5,012	92,804	57,670	4,800	85,993	99,593	-13,600	109,784	101,230	+554	83,849	88,849	+1,500	
Less Developed																
East Asia	43,356	57,405	-14,707	63,619	84,477	-21,947	73,436	96,673	-21,127	63,798	99,028	-28,871	67,979	100,644	-32,604	
Indonesia	313	2,068	-1,770	351	4,358	-4,127	243	4,588	-4,268	163	4,341	-4,652	136	4,757	-4,755	
High Income	0	1,122	-112	0	551	-542	0	559	-595	0	819	-1,156	0	865	-1,087	
Low Income	313	1,299	-986	351	2,886	-2,850	243	2,993	-2,690	163	2,999	-2,614	136	2,979	-2,738	
Southeast Asia	0	657	-670	0	919	-935	0	996	-983	0	923	-982	0	913	-930	
Thailand	13	201	-188	34	423	-390	26	423	-388	24	283	-259	40	389	-347	
Other South East Asia	0	133	-33	0	69	-71	0	33	-74	0	93	-93	0	102	-100	
South Asia	13	168	-155	34	354	-319	26	340	-314	24	190	-166	40	287	-247	
India	17,490	22,112	-5,109	30,446	34,048	-4,171	36,565	42,196	-4,095	36,049	44,335	-6,688	32,912	42,642	-9,440	
Other South Asia	11,130	14,311	-3,581	20,858	22,436	-2,611	26,410	28,245	+165	24,735	30,178	-3,123	22,072	27,572	-5,200	
North Africa/Middle East	15,647	20,329	-4,910	20,498	28,238	-7,919	24,916	31,107	-5,958	30,834	-9,954	21,364	32,844	-12,048		
High Income	5,045	6,531	-1,458	6,529	9,028	-2,435	8,204	10,376	-2,128	6,469	10,280	-3,750	6,782	11,482	-5,413	
Low Income	10,602	13,798	-3,452	13,969	19,710	-5,484	16,712	20,731	-3,830	13,89	20,554	-6,174	14,582	21,362	-6,635	
Central Africa	669	1,106	-438	862	2,029	-1,171	942	2,223	-1,312	867	2,164	-1,272	809	2,231	-1,417	
Last Africa	101	121	-25	197	1,198	-26	150	1,745	+24	149	1,97	-53	144	185	-1,445	
Middle America	1,375	1,886	-554	2,060	2,006	-819	2,410	3,267	-1,419	2,039	3,623	-1,596	2,238	3,842	-1,678	
Mexico	1,349	1,331	-21	2,027	2,097	-32	1,700	2,410	-634	2,000	2,725	-7780	2,200	2,925	-820	
Central America	26	331	-533	33	809	-777	45	848	-785	39	838	-816	38	917	-858	
Venezuela	1	655	2,816	-2,164	1,358	-1,897	691	592	-635	1	611	-575	1	636	-600	
Brazil	5,208	5,569	1,369	5,673	4,393	1,640	4,180	+2,21	6,900	4,450	-2,810	2,750	4,742	-2,165		
Argentina	1,384	2,953	-1,038	1,939	3,801	-1,142	1,257	4,162	-2,386	1,360	4,050	-2,620	5,600	4,264	+1,977	
Other South America	214	825	-611	316	2,165	-1,847	335	2,261	-1,905	370	2,488	-2,118	370	4,955	-2,106	
Rest of World																
World total/		233,200	242,300		323,200	334,300		339,000	360,900		366,800	363,400		349,900	356,300	

1/ World Totals taken from the Foreign Agricultural Service's Foreign Agricultural Circular on Grain. Regional Totals may not sum to world totals due to variations in country and commodity coverage and rounding.

Regional Country Composition(Continued)

Central Africa(Angola, Burundi, Cameroon, Central Africa, Chad, Congo, Dahomey, Ethiopia, Gabon, Gambia, Ghana, Ivory Coast, Liberia, Mali, Mauritania, Mauritius, Niger, Nigeria, Reunion, Rwanda, Senegal, Sierra Leone, Somalia, Spanish Sahara, Togo, Upper Volta, Zaire)

East Africa (Kenya, Uganda, Tanzania, Zambia, Rhodesia, Malawi, Mozambique)

Other South America (Bolivia, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay)

Table 7. Per capita world wheat production, consumption and net exports, 1960/61-62/63, 1969/70-71/72, 1972/73, 1973/74 and 1974/75 <sup>1/</sup>

	1960/61-62/63	1969/70-71/72	1972/73	1973/74	1974/75
	Pro- duction	Con- sumption	Net : exports	Pro- duction	Con- sumption
Developed					
United States	147	116	33	124	40
Canada	179	88	98	106	85
LC-9	679	217	518	652	219
FC-6	127	153	-31	146	162
FC-3	147	156	-15	168	164
Other Western Europe	68	144	-77	79	154
South Africa	110	137	-27	121	131
Japan	42	49	-7	61	55
Australia-New Zealand	17	45	-28	5	50
Centrally Planned	105	110	-4	130	140
Eastern Europe	146	196	-46	209	207
USSR	308	285	-23	382	394
China	30	36	-6	37	42
Less Developed	31	41	-11	37	49
Last Asia	2	12	-10	2	20
Indonesia	---	1	-1	---	5
High Income	8	31	-24	7	55
Low Income	---	18	-18	---	19
Southeast Asia	---	3	-3	5	-4
Thailand	---	1	-1	2	-2
Other South East Asia	---	4	-3	1	6
South Asia	29	37	-9	41	46
India	24	31	-8	37	45
Other South Asia	4.7	57	-11	56	68
North Africa/Middle East	111	144	-35	113	156
High Income	101	131	-29	101	140
Low Income	116	150	-38	120	165
Central Africa	5	8	-3	5	-7
Last Africa	2	3	-1	1	1
Middle America	23	32	-9	26	37
Mexico	36	36	-1	40	41
Central America	1	25	-24	1	28
Venezuela	---	41	---	66	---
Brazil	9	38	-29	14	36
Argentina	248	170	89	243	182
Other South America	39	61	-23	31	62
Rest of World	6	23	-17	7	48
Total above	79	79	1	88	90
			---	90	96
			---	96	94
			1	90	91
			2		

<sup>1/</sup> Based on Table 6.

Quality also proved to be a problem particularly for the Canadian and U.S. crops. An exceptionally high quality Australian crop alleviated some, but not all, of the price pressure on higher quality grades, particularly toward the end of the season.

### Coarse Grain

World coarse grain production also fell sharply in 1974/75, due almost entirely to shortfalls in corn production primarily in the United States. While world coarse grain production fell to 572 million tons from 607 million the previous year, U.S. production fell 36.3 million from 1973's record 186.6 million tons (figure 5 and tables 8 and 9).

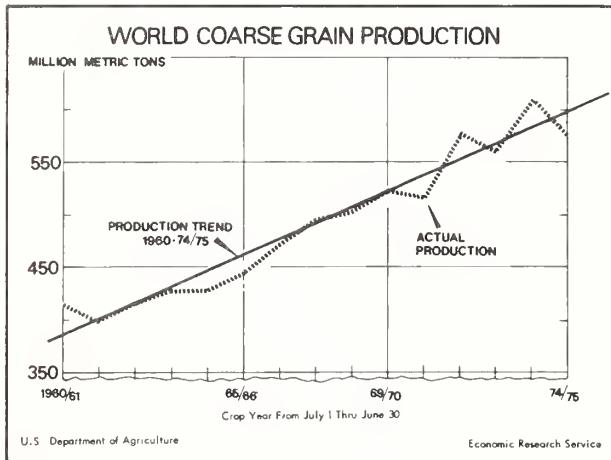


Figure 5

### Rice

World rice output in 1974/75 is now estimated at 219.7 million tons (milled), marginally exceeding last year's output. This would be a record level, but still 2.8 million tons below trend and far below that needed to restore stocks to a semblance of adequacy. Between 1971/72 and 1974/75, world rice output increased less than 4 percent while population grew almost twice as fast (figure 6 and tables 10 and 11).

The upward change of 7.4 million tons in the world production estimate since December is attributable largely to the adoption of a new rice production series for China and to a 3-million-ton increase in the 1974/75 crop estimate for China to 80 million tons. Upward revisions have also been made for Burma, South Korea, the United States, Brazil, and other countries. Pakistan's crop, at 2.2 million tons, is 200,000 tons less than the December figure. In Asia (including China, North Korea, and North Vietnam), 1974/75 rice output now approximates 199 million tons, compared with 198 million tons last year.

The 1974/75 harvests in most countries fared well, with one big exception. India, with a population of 624 million and normally 20 percent of the world's rice

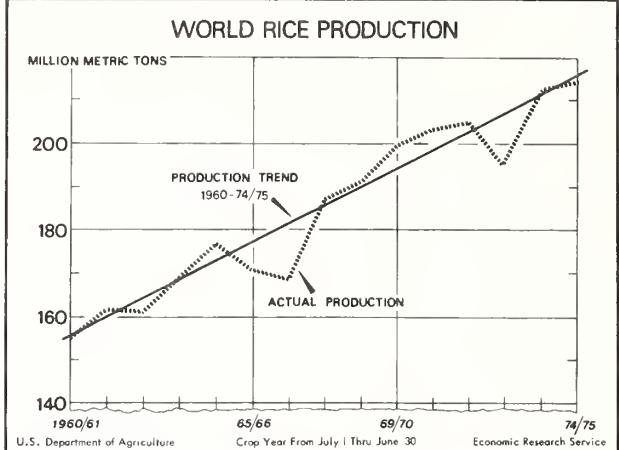


Figure 6

output, suffered a 10-percent drop in rice output following drought and poorly distributed rains. India's wheat imports (increasing the last several years) will not be enough to prevent a fall in per capita grain intake brought on by the rice shortages this season. The Khmer Republic will also undergo considerable belt tightening in 1975 as a result of disruptions to rice production from civil strife this past year.

### 1974/75 Consumption

Regional consumption estimates indicate that 1974/75's short grain supplies and high prices are forcing sharp, somewhat unexpected adjustments in stock levels in the major exporting countries, in livestock feeding in a number of the developed countries, and in food use in a limited number of the developing countries.

Despite earlier expectations that consumption in the developing countries would drop drastically, grain use in the developing countries increased 4 million tons. On a per capita basis, however, consumption fell to 174 kilograms compared with last year's 176 kilograms. Grain consumption actually increased anywhere from 2 to 16 kilograms per capita in Mexico and Central America, Venezuela, North Africa and the Middle East, Central Africa, and East Asia. Regional decreases in per capita consumption were limited to South Asia, where poor crops resulted in drastically reduced availabilities, and to Southeast Asia, where shortfalls in Cambodia pulled the entire region's consumption level down.

Continuing the trend of the last two decades, the share of rice consumption continues to decline as lower priced wheat increases. Roughly 13 percent of total grain consumed in the developing countries is expected to be in the form of feed, about the same percentage as in 1973/74.

With developing countries' total production off some 5 million metric tons, maintaining consumption at the 174-kilogram level entailed imports of 37.5 million tons, or the equivalent of 20 kilograms per capita compared with 17 kilos per capita in 1973/74 and 12 in 1972/73.

Table 8 World Coarse Grain Production, Consumption and Net Exports, 1960/61-62/63, 1969/70-71/72, 1972/73, 1973/74, and 1974/75

1/ Farley, Corn, Oats, Rye and Sorgum.

2/ World Totals taken from the Foreign N

due to variations in country and country composition concluded:

Middle America (Mexico, Honduras, British  
Trinidad and Tobago, Bah

regional totals may not sum to world total

Table 9. Per capita world coarse grains production, consumption aid<sup>2</sup> net exports, 1960/61-62/63-1969/70-71/72, 1973/74 and 1974/75

1/ Based on Table 8.

Table 10.--World milled rice production, disappearance and net trade 1/

Country and region	1960/61-1962/63			1969/70-1971/72			1972/73			1973/74			1974/75		
	Prod- duction	Disap- pearance	Net exports	Prod- duction	Disap- pearance	Net exports	Prod- duction	Disap- pearance	Net exports	Prod- duction	Disap- pearance	Net exports	Prod- duction	Disap- pearance	Net exports
	- Thousand metric tons														
Developed	14,593	14,222	371	15,581	14,485	2,103	14,813	16,500	2,042	15,549	13,761	1,786	16,493	13,779	2,280
United States	1,867	845	1,022	2,878	1,314	1,719	2,821	1,185	1,771	3,073	1,215	1,646	3,858	1,273	2,325
Canada	---	31	-31	---	60	-60	---	55	-55	---	50	-50	---	50	-55
EC 9	584	784	-204	661	750	-89	557	773	-225	722	871	-19	718	711	-37
Other Western Europe	439	604	-165	450	517	-67	395	458	-62	426	488	-77	450	505	-63
South Africa	1	52	-51	1	77	-76	10	95	-85	10	95	-85	10	100	-90
Japan	11,613	11,866	-253	11,400	11,706	546	10,826	11,836	548	11,056	10,926	210	11,177	11,010	50
Australia & New Zealand	89	40	49	191	61	130	204	98	150	262	117	161	280	130	150
Centrally Planned	32,087	51,588	499	72,872	72,569	303	75,627	73,903	1,688	78,115	76,472	1,607	81,391	79,933	1,622
East Europe	90	338	-248	147	403	-256	163	368	-241	162	369	-243	177	369	-228
U.S.S.R.	159	335	-176	831	1,149	-318	1,072	1,143	-71	1,147	1,197	-50	1,242	1,292	-50
China 2/	51,838	50,915	923	71,894	71,017	877	74,392	72,392	2,000	76,806	74,906	1,900	80,172	78,272	1,900
Developing	84,832	84,974	-142	113,949	117,102	-2,396	107,303	113,963	-2,496	119,223	121,433	-3,843	121,224	121,012	-3,371
Mexico/Central America	486	373	-87	719	852	-133	644	703	-79	663	787	-134	673	821	-131
Venezuela	47	53	-6	131	114	17	165	180	1	272	200	72	275	220	55
Brazil	3,569	3,505	64	4,749	4,705	68	4,850	5,000	180	5,100	5,200	20	5,350	5,470	100
Argentina	117	95	22	232	162	70	197	170	30	174	172	42	221	178	90
Other South America	961	1	1,402	1,279	123	1,485	1,436	45	1,565	1,594	106	1,694	1,619	165	
North Africa/Middle East	1,724	1,756	-32	2,806	2,826	-20	2,667	3,153	-436	2,433	3,521	-1,033	2,702	3,936	-1,314
Central Africa	1,971	2,407	-436	2,868	3,563	-695	2,890	3,490	-600	3,995	3,795	-700	3,110	3,810	-700
East Africa	144	167	-23	214	235	-21	219	230	-11	215	226	-11	215	226	-11
South Asia	45,752	46,617	-865	57,589	59,206	-884	53,922	55,637	445	61,438	59,511	153	57,139	58,213	205
Southeast Asia	15,844	12,463	3,381	20,535	18,692	1,843	17,670	17,512	623	19,905	18,826	635	19,245	18,074	1,185
East Asia	14,217	16,378	-2,161	22,704	25,468	-2,764	22,594	26,452	-2,694	24,303	27,601	-2,993	25,430	28,445	-3,015
Rest of world	4,417	4,629	-212	5,115	5,358	-243	5,400	5,745	-345	5,070	5,360	-290	5,460	5,740	-280
World total	155,929	155,413	516	207,517	209,514	-233	203,143	208,111	889	217,957	217,026	219,588	220,464	220,464	251

1/ Production primarily in initial calendar year combined with trade in the following year to get disappearance in year shown. Disappearance estimates include the effect of stock variations.

2/ Rice production series for China has been recently revised. For detailed explanation see ERS, The Agricultural Situation in the People's Republic of China, 1974/75, forthcoming.

	1960/61-62/63			1969/70-71/72			1972/73			1973/74			1974/75		
	Pro- duction	Con- sumption	Net												
<i>kilograms---</i>															
Developed . . . . .	23	22	.6	22	21	3.0	21	20	2.8	21	19	2.4	23	19	3.1
United States . . . . .	10	5	5.5	14	6	8.3	13	6	8.4	14	6	6	18	6	10.8
Canada . . . . .	2	2	-1.7	---	3	-2.8	---	3	-2.5	---	2	-2.3	---	2	-2.5
FC-9 . . . . .	2	3	-.9	3	3	-.4	2	3	-.9	3	3	-.1	3	3	-.1
Other Western Europe . . . . .	6	8	-.2	5	6	-.8	5	6	-.7	5	6	-.9	5	6	-.7
South Africa . . . . .	1	3	-2.7	0	3	-3.2	4	4	-3.3	4	4	-3.2	4	4	-3.3
Japan . . . . .	122	125	-2.7	109	112	5.2	101	111	5.1	102	101	1.9	102	101	.5
Australia-New Zealand . . . . .	7	3	3.8	12	4	8.5	13	6	9.5	16	7	10.0	17	8	9.2
Centrally Planned . . . . .	53	52	.5	65	64	.3	65	64	1.4	66	65	1.4	68	67	1.3
Eastern Europe . . . . .	8	3	-2.1	1	3	-2.0	1	3	-1.9	1	3	-1.9	1	3	-1.8
USSR . . . . .	7	2	-.8	3	5	-1.3	4	5	-.4	5	5	-.2	5	6	-.5
China . . . . .	80	79	1.4	95	93	1.2	95	92	1.9	96	94	2.4	99	96	2.3
Less Developed . . . . .	61	61	---	66	67	-.1	59	62	-1	64	65	-2	60	63	-2
Middle America . . . . .	8	10	-1	9	11	-1.7	8	8	-.9	8	9	-1.5	8	9	-1.5
Venezuela . . . . .	6	7	-.7	12	11	1.6	14	16	.1	23	17	6.1	22	18	4.5
Brazil . . . . .	48	47	.9	50	50	.7	48	50	1.8	50	50	.2	50	52	.9
Argentina . . . . .	6	5	1	10	7	2.9	8	7	1.2	8	7	1.7	10	7	3.5
Other South America . . . . .	20	20	.0	23	21	2.0	23	22	.7	23	24	1.6	25	24	2.4
North Africa/Middle East . . . . .	12	12	-.2	16	16	-.1	14	16	-2.3	13	18	-5.3	13	19	-6.5
Central Africa . . . . .	14	16	-3.0	16	20	-3.9	15	18	-3.2	16	20	-3.6	16	19	-3.5
East Africa . . . . .	3	4	-.5	4	4	-.4	4	4	-.2	3	4	-.2	3	4	-.2
South Asia . . . . .	76	78	-1.4	78	80	-1.2	70	72	.6	78	75	.2	71	72	.3
South East Asia . . . . .	217	170	4.6	220	201	19.8	179	178	6.3	186	186	6.3	185	173	11.4
East Asia . . . . .	81	94	-12.4	103	115	-12.5	97	113	-11.6	102	115	-12.5	103	116	-12.3
Rest of World . . . . .	125	131	-6.0	116	122	-5.5	117	125	-7.5	108	114	-6.2	114	120	-5.9
Total Above . . . . .	51	51	.2	57	58	-.1	54	55	.2	57	57	-.2	56	57	---

*1/* Based on Table 10.

Once again, increased dependence on grain imports was concentrated in a few regions, while imports in the other regions fell off.

### Feeding Adjustments

Changes in grain feeding in the developed countries—particularly the United States—have accounted for the largest share of this year's adjustment in world grain use. Throughout the late 1950's and early 1960's, the United States, Canada, Australia, Argentina, Japan, and the countries of Western Europe in aggregate fed more than half of their grain to livestock. By 1972/73 grain used for feed in these countries had grown to 370 million tons, or over three-fifths of their total consumption and a quarter of total world consumption. The sharpest cutback in feeding to date has been reported in the United States. Feed usage is expected to drop 33 million tons to 110 million tons, or to approximately the 1960/61 level (table 12). Reductions were also reported for Canada, Japan, the EC-3 (the United Kingdom, Denmark, and Ireland), Australia, and Argentina.

The limited feed-livestock price ratios available indicate that feeders in the United States have been quite responsive to changes in relative input and product prices. Feed demand with respect to the profitability of feeding appears to be less elastic in Japan and Canada and least elastic in the EC-6 and the other non-EC countries of Western Europe where feeding has continued to increased despite some deterioration in ratios. Reductions in feeding in most of these countries, excluding the United States, have been minimal to date.

Western Europe's various price support programs and variable export levies isolated feeders from the initial shock of rising world grain prices. Bumper soft wheat crops and rising livestock prices have resulted in an additional 2.4 million tons of wheat used for feed. Of all the countries of Western Europe, only the EC-3 failed to maintain last year's feeding level. Adjusting Danish and UK low feed prices has dampened feeding in beef and pork as well as poultry operations. If EC-3 is broken out of the West European total, 1974/75 feeding would be 78.4 million metric tons, up from the previous record high of 74.9 in 1973/74.

Small subsidies have been paid directly to feeders in Japan while administered pricing has forced the formula feed mixers rather than the feeders to bear the bulk of the added input costs. Australia has undertaken emergency loans for beef producers through its Commonwealth Development Bank.

### Stock Adjustments

Adjustments have also taken place in world stocks. World rice stocks could go up somewhat, perhaps by 500,000 tons to 9 million tons in 1975. In Indonesia, stocks rose about 350,000 tons to a total of about 1.5 million tons this year. In the United States, stocks are estimated to rise by 200,000 or more tons, to at least

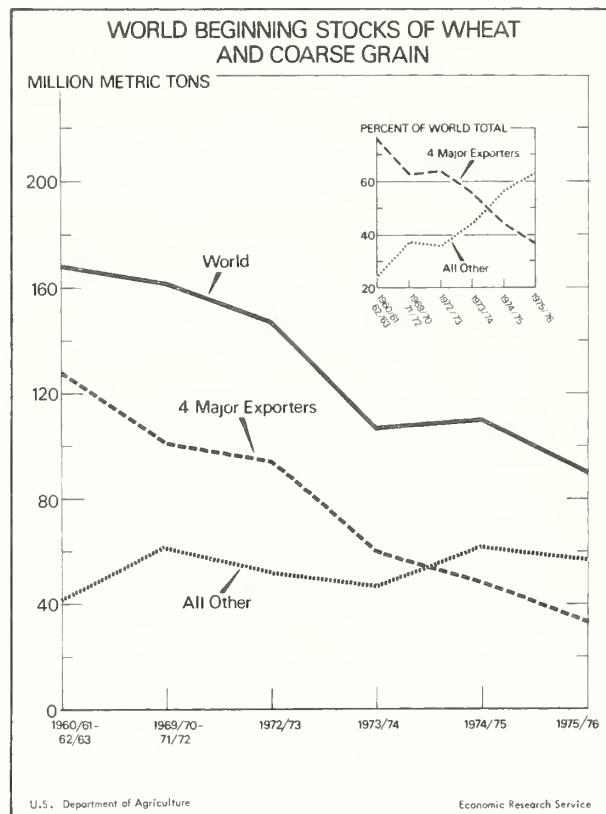


Figure 7

400,000 tons. Several other countries registered smaller stock gains. India's stocks, however, will drop again, perhaps by as much as 1 million tons to a low of 3 million tons or half the 1971 quantity. World stocks are currently estimated at 4 to 4½ percent of 1974/75 production, compared with 8 to 9 percent of the 1969/70-1971/72 average (figure 7 and table 13).

Beginning stocks of wheat and coarse grain in 1975/76 are expected to drop to 90 million tons, the lowest level since the years immediately following World War II. The aggregate stocks of the four major exporters (United States, Canada, Australia, and Argentina), sometimes used as a measure of world supply flexibility, continue to fall faster than the world total. U.S. stocks have born the brunt of the adjustment as Canada, Australia, and Argentina have attempted to slow their own stock drawdown through export guidance systems. Small exporters, the self-sufficient countries, and the importing countries have tended to keep their wheat and coarse grain stocks around the 45-million-metric-ton level. Poor crops in 1975/76 would force these latter countries—as well as the United States, Canada, Australia, and Argentina—to adjust stocks.

### 1975/76 Production Outlook

As of mid-June, early harvest reports on winter wheat and planting reports on spring wheat and coarse grain

Table 12. Grain feed to livestock, selected countries 1/

	1960/61- 62/63	1969/70- 71/72	1972/73	1973/74	1974/75	1960/61- 62/63	1969/70- 71/72	1972/73	1973/74	1974/75
- - - - - 1,000 metric tons - - - - -										
United States . . . . .	110.8	136.5	148.5	143.3	110.2	79.3	80.8	81.8	80.5	75.7
Canada . . . . .	10.0	15.5	16.2	16.9	15.8	70.2	76.9	77.7	79.4	71.2
EC-6 . . . . .	34.2	46.6	49.0	50.4	50.8	52.8	58.4	58.7	58.8	58.7
EC-3 . . . . .	16.5	20.3	21.7	19.6	18.5	63.3	65.3	65.8	62.9	60.8
Other Western Europe . . . . .	11.7	20.5	22.9	24.5	27.6	47.8	61.2	63.8	64.6	64.3
Australia . . . . .	1.7	2.6	3.8	3.5	3.1	38.8	41.9	53.9	49.8	47.2
Japan . . . . .	3.5	9.8	11.6	12.6	11.6	16.8	35.0	39.6	41.6	39.0
Argentina . . . . .	3.6	5.2	5.8	5.5	5.0	44.3	46.9	47.1	44.7	42.2
Soviet Union . . . . .	39.3	83.8	90.9	97.5	100.0	33.9	49.3	51.6	48.5	52.3
Total above . . . . .	231.3	340.3	370.4	373.8	342.6	54.0	64.8	63.9	61.8	60.4
Total above, excluding United States . . . . .	120.5	204.3	221.9	230.5	232.4	41.8	57.2	55.8	54.0	55.1

1/ Wheat, milled rice and coarse grain.

Source: Foreign Agricultural Service and Economic Research Service

Table 13. World wheat and coarse grain beginning stocks 1/

	1960/61-	1969/70-	1972/73	1973/74	1974/75	1975/76
	1962/63	1971/72				
<u>Million metric tons</u>						
Wheat						
World wheat stocks	72.0	90.8	73.5	50.9	56.3	48.5
-Share of world wheat consumption	30%	27%	20%	14%	16%	---
Wheat stocks held by the major exporters <u>2/</u>	52.5	52.6	41.4	22.7	20.0	14.2
-Share of world wheat consumption	22%	16%	11%	6%	6%	---
-Share of major exporters: wheat consumption	203%	157%	122%	68%	60%	---
U.S. wheat stocks	36.7	22.1	23.5	11.9	6.7	6.3
-Share of world wheat consumption	15%	7%	7%	3%	2%	---
-Share U.S. wheat consumption	225%	101%	107%	58%	34%	---
Coarse grain <u>3/</u>						
World coarse grain stocks	96.4	71.1	73.9	56.3	53.7	41.4
-Share of world coarse grain consumption	23%	13%	13%	9%	9%	---
Coarse grain stocks held by the major exporters	74.6	48.6	53.2	37.3	28.2	19.1
-Share of world grain consumption	18%	9%	9%	6%	5%	---
-Share of major exporters: consumption	54%	29%	29%	20%	19%	---
U.S. coarse grain stocks	70.3	40.4	45.0	30.2	20.4	13.2
-Share of world coarse grain consumption	17%	8%	8%	5%	3%	---
-Share of U.S. coarse grain consumption	57%	28%	28%	19%	16%	---
World wheat and coarse grain stocks:	168.4	161.9	147.4	107.2	110.0	89.9
-Share of world wheat and coarse grain consumption	26%	19%	16%	11%	12%	---
Wheat and coarse grain stocks of the major exporters	127.5	101.2	94.6	60.0	48.2	33.3
-Share of world wheat and coarse grain consumption	20%	12%	10%	6%	5%	---
-Share of major exporters consumption	77%	50%	43%	28%	26%	---
U.S. Wheat and coarse grain stocks	107.0	62.5	68.5	42.1	27.1	19.5
-Share of world wheat and coarse grain consumption	16%	7%	7%	4%	3%	---
-Share of U.S. consumption	77%	37%	38%	24%	19%	---

1/ Stocks data are based on an aggregate of differing local marketing years and should not be construed as representing world stock levels at a fixed point in time. Stocks data are only for selected countries and exclude such important countries as the USSR, the People's Republic of China, and part of Eastern Europe for which stocks data are not available; the aggregate stocks level have, however, been adjusted for estimated year-to-year changes in USSR grain stocks.

2/ U.S., Canada, Australia and Argentina.

3/ Includes barley, corn, oats, rye and grain sorghum.

indicate the 1975/76 world grain crop is likely to increase 6 to 7.5 per cent above the 1974/75 level to a record 1,207-1,225 million tons. But even if this increase of 68-86 million tons materializes, world grain production would still be less than 10 million tons above the 1960/61-1973/74 trend. A 6 to 7.5 percent increase would be sufficient, however, to put production above projected world consumption for the second time since 1969/70.

## **Wheat**

Prospects are firmest for wheat production since over 50 percent of the world crop is made up of the Northern Hemisphere's winter varieties harvested in June and July. Winter wheat crops in the United States and Canada are up over 12 million tons in total, while smaller increases are expected in Eastern Europe, India, and possibly China. Somewhat smaller crops are expected in Western Europe, parts of North Africa and the Middle East, and East Asia. Weather could still play havoc with spring-sown wheat crops and crops yet to be planted in Argentina and Australia. But prospects are good that a 370 to 375-million-ton world wheat crop will be harvested through January 1976.

## **Coarse Grain**

The bulk of any increase in 1975/76 world coarse grain production is expected to be concentrated in North America—particularly in the United States—and in parts of East Asia and South America. Planting intentions combined with trend yields suggest a crop of 625-635 million tons or some 35 to 45 million tons more than harvested in 1974/75. It should be kept in mind, however, that while a large part of this coarse grain crop is already planted in the Northern Hemisphere, planting in the Southern Hemisphere will not begin for another 2 to 3 months.

## **Rice**

The outlook for rice is uncertain due to the key importance of late summer monsoon rains in the major rice-growing regions of Asia. Preliminary estimates based on limited area and yield data generally become available in late October and early November.

## **1975/76 Consumption**

Substantial increases in rice, wheat, and coarse grain consumption are projected for 1975/76.

Appreciably more rice will be available for consumption and export in 1975 than in the previous year. The United States, China, Thailand, and Italy have

more rice to sell; Burma could be exporting 300,000 tons this year versus about 150,000 tons in 1974; Latin America could be exporting at least 100,000 tons more. U.S. exports in fiscal 1975, estimated at 2.3 million tons, would be almost 25 percent above the previous record even though PL-480 shipments to Indochina have been cancelled. World import volume may not be much more than 1974's 7.6 million tons despite the greater export availabilities.

The price of Thai 5-percent brokens, f.o.b. Bangkok, an indicator of world price trends, was down from the 1974 average of \$541 a ton to \$350 a ton in June 1975. The tendency of this price to move up in the rice-scarce June-September period prior to the major harvests could be counterbalanced by the presence of greater supplies of export rice available; but for 1975 as a whole, the Thai price is unlikely to go below the 1973 average of \$350 a ton.

A sharp increase in grain usage, particularly for livestock feeding, is likely in 1975/76 if world production approaches the projected 1,207 to 1,225-million-ton level. Feeding in the United States is expected to recover to roughly 95 percent of its peak 1972/73 level, assuming increases in consumer demand for livestock products as well as lower feed prices. Feeding in Japan—the only other major feeder to cut usage in 1974/75—is likely to increase slightly in 1975/76 as falling grain import prices and rising livestock prices encourage formula mixers and feeders to increase usage. Feed usage in Western Europe is expected to continue growing at about the 1974/75 rate. It remains to be seen, however, whether Western Europe's increases will be concentrated in traded coarse grains or domestically produced soft wheat.

Most of this projected increase in feed use is likely to be concentrated in corn and barley. Small increases are also likely in food use of wheat, rice, and coarse grains in the developing countries. Any increase in average developing-country consumption of 2-4 kilograms beyond the current level of 174 kilograms per capita is unlikely unless crops in the Indian subcontinent exceed expectations.

If these food and feed increases take place, world grain consumption could reach 1,190 to 1,200 million metric tons, allowing as much as a 20 to 25-million-ton increase in world stocks.

While wheat, rice, and coarse grains moving in the world market likely totaled 132 million tons in 1974/75, world trade is expected to increase to 135-140 million tons in 1975/76. Much of this increase likely will be in gross exports from the United States and Western Europe moving to the higher income countries for feed use and to the developing countries for food use. (Total grains, wheat and coarse grains: *Jack A. Freeman and Patrick M. O'Brien*. Rice: *Robert D. Barry*)

## OILSEEDS IN AMPLE SUPPLY

Since publication of the December *World Agricultural Situation*, the fats and oils complex has moved rapidly from a situation of relatively tight supply to one where the big concern is oversupply and low prices.

Although the United States and most of the rest of the world harvested record and near-record oilseed crops in late 1973 and early 1974, 1974 was dominated by high prices, largely based on fears that supplies of both meal and oil were insufficient to meet rapidly increasing demand. The business recession in most of the noncommunist world and rapid inflation may have interrupted the upward trend in consumption of both meal and oil.

In the United States, domestic soybean meal disappearance was above that of 1973 during the first 3 quarters of calendar 1974; only in the fourth quarter did disappearance slip below that of 1973. For the year, total disappearance was above 1973. For fats and oils, total disappearance in the first 3 quarters of 1974 was higher, but the total for the year was down.

Japan's economic problems appear to have had a significant impact on its demand for meal and oil. Japanese soybean imports were down over 10 percent for the year, while oilmeal imports were down over 20 percent. On the other hand, vegetable oil imports were up slightly in 1974, but not enough to offset the reduction caused by lower oilseed imports. In West Germany, with no balance-of-payments problems, meal consumption was down about 10 percent from 1973. On the other hand, total vegetable oil consumption rose

slightly, though not enough to keep up with population growth.

In Italy, with major balance-of-payments problems, imports of oilseeds and oils rose strongly in 1974 and were above those of the previous year. However, it appears that part of that demand, especially on the meal side, was based on price speculation rather than estimated use. Mexico, a developing country with a significant livestock sector, had little change in meal use in 1974 and a small increase in use of vegetable oil.

Looking at 1975, world meal production, based mainly on 1974 oilseed production, is forecast to be down approximately 5 million tons. Production of vegetable oils, again based mainly on 1974 seed production, is forecast to be down about a million tons in 1975.

Little can be said about 1976 or the 1975/76 marketing season other than to mention some planting intentions. In the United States the March intentions indicated soybean area may be up nearly 6 percent which, with normal yield, would give a crop of about one and a half billion bushels. Present indications are that sunflower production in the Soviet Union may equal or exceed last year's volume. Canadian farmers indicated they intend to plant 17 percent more rapeseed this year. Though no official reports have been issued, it seems very likely that Brazilian farmers will equal or exceed this year's record soybean crop.

On the demand side, it will take a full recovery in economic activity in the developed countries plus favorable feed-livestock price ratios to induce a return to the growth rate of soybean usage common during the last few years. (*Arthur Coffing*)

## WORLD MEAT ECONOMY CONTINUES UNCERTAIN

The mood of uncertainty reported 6 months ago continues to affect world commercial meat production. World supplies of beef and pork are large, and consequently returns to meat producers are generally low outside the United States. Weather conditions have been favorable to livestock production. Herds are still growing, but more slowly because of heavy cattle and calf slaughter.

On the other hand, meat consumption in the meat-consuming centers of developed countries has not kept pace with increased production. Some consumer resistance to meat prices and stagnating real consumer incomes due to influences outside of agriculture have retarded consumption. World trade in meat is down.

After 2 years of low production, EC-9 beef output in 1974 has returned to normal levels. Cattle slaughter is expected to exceed 20 million head this year and into 1976 (figure 8). In contrast, per capita consumption peaked in 1970 and has declined gradually from that level. Beef imports hit record highs in 1972 and 1973, but in 1974 they were only a quarter of those record

levels. They are now running at the lowest level in 2 decades.

Six months ago, the EC-9 was severely restricting imports and there was talk of the Community becoming a "net exporter of beef." That situation is essentially unchanged. A new regulation became effective June 1 which provides for beef importation if matching quantities can be arranged for export. The new regulations are about as restrictive as earlier measures, and probably will not alter world meat trade, but they will permit greater administrative flexibility and ease trade with East Germany and West Berlin.

Meat consumption may rise together with domestic production over the coming months, but continuation of beef consumption at 1974 levels would lead to the elimination of the remaining net imports by the EC-9.

The long-distance beef exporters are well stocked for generating high volumes of shipments. Argentina's herds continue to grow and production is rising. While domestic beef consumption in 1973 was limited by regulations to free meat for exports, that situation has

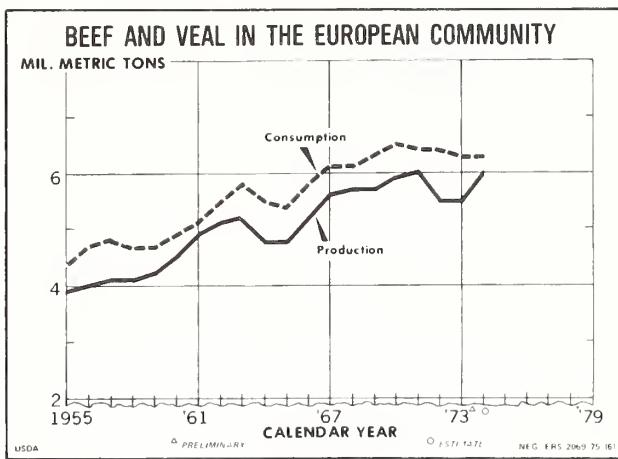


Figure 8

now changed. With regulations removed, domestic consumption is rising to absorb the expanded production now reaching the market. Herd numbers are at high levels. Weather has favored livestock raising. Production could rise significantly under more favorable price and market conditions. But the customary markets are in the EC-9 where restrictions are severe. Because foot-and-mouth disease is endemic in Argentina, chilled Argentine beef does not qualify for shipment to the United States.

Australia and New Zealand are also carrying herds of unaccustomed size. While weather has also favored livestock activities, slaughter has been restrained and cattle have been held back. The herds continue to grow. The United States has effectively displaced Europe, and especially the United Kingdom, as the principal export market of the region. These countries, together with Canada, Mexico, and Central America—which all have

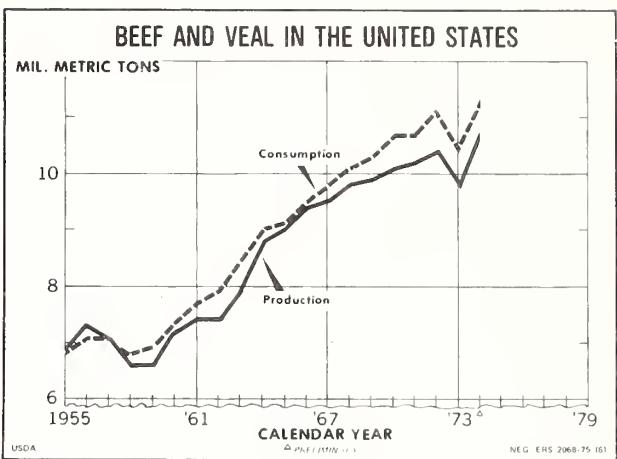


Figure 9

high herd potential—are striving to supply the United States steadily without triggering further U.S. import restrictions.

In the United States, the increase in 1974 beef production more than made up for the sharp 5 percent dropoff which occurred in 1973 (figure 9). Performance in 1975 is expected to be in line with the production trend of the last decade before the interruption of 1973-74. The fed cattle industry is now beginning to escape from the cost bind of high feed prices low cattle prices, but it still seems uncertain about future feed-cattle prices. Marketing of fed cattle is the lowest in a decade, and a correspondingly larger proportion of total slaughter is from nonfed cattle. Herds are record large and growing, but at a slower rate than in 1974. Weather conditions, the availability of grass, and the relationship of feed and cattle prices, will largely determine the timing and magnitude of increases in beef production. (Donald W. Regier)

## DAIRY PROSPECTS MIXED

### Milk Products

Preliminary data indicate that declines in milk production during 1974 in Australia, New Zealand, and the United Kingdom were almost offset by increases in most West European countries (table 14). As a result, world milk production (excluding the Communist countries) increased slightly over that of 1973.

Among the Communist countries, the USSR and Poland led in milk production increases during 1974, with output increasing by 3 to 4 percent. This gain far exceeded the increase in the non-Communist countries.

Altogether, the estimates from which this report is derived cover countries which account for about three-fourths of the world's cow milk.

The year past was not a good one for dairymen. In addition to higher prices for important cost items such as

fuel and transportation, fertilizer, feedstuffs, and labor, they were subject to lower returns for calves and for cull cows to an extent that generally was not fully offset by higher milk prices achieved during the year. In addition to these economic factors, weather also held down output in Oceania, the UK and Ireland. Also, a reorganization of the Australian milk price support system may have contributed to the 1974 production decline in that country.

At the end of 1974 and the first quarter of 1975, production recovery seemed underway in New Zealand, but Western European production seemed to be sustained only in the Netherlands, Spain, and Portugal. For the European countries, it may be appropriate to discount early conditions as an indicator of full-year 1975 production because high feed prices may have restricted winter milk output, while summertime

Table 14--Milk production in specified countries 1971-January 1975

Country, region or area <u>1/</u>	By weight				As a percent of previous corresponding period <u>3/</u>	
	1971	1972	1973	1974 <u>2/</u>	Jan - Dec 1974	Jan 1975
	Billions of pounds				Percent	
36 Countries	730	748	758	770		
North America (3)	148	150	145	145		
United States	119	120	115	115	100	100
Canada	18	18	17	17	99	99
South America (6)	37	39	39	39		
EC (9)	202	211	212	214		
Denmark	10	11	11	11	102	98
France	61	64	65	66	102	100
West Germany	47	47	47	48	101	100
Italy	21	21	20	19	98	101
Netherlands	19	20	21	22	105	104
U.K.	28	30	31	30	97	97
Other Western Europe (7)	41	42	42	43		
Eastern Europe & USSR(8)	262	266	280	292		
Oceania and Japan (3)	41	41	39	38		
Australia <u>4/</u>	16	16	16	15	89	92
New Zealand <u>4/</u>	14	14	13	12	96	105
Japan	11	11	11	11		

1/ Numbers of countries in subtotals are indicated in parentheses.2/ Preliminary.3/ Forecasts.4/ Marketing years, beginning for Australia in July of preceding calendar year, and for New Zealand in June.

Source: United States Department of Agriculture, Foreign Agriculture circular: Dairy FD 1-75, April 1975.

pasture presumably will not be limited correspondingly by economic conditions.

Dairy cow numbers in some countries declined in 1974 by more than the past trend. However, in countries where dual-purpose cattle are the norm, cow numbers may be sustained because of low prices for slaughter cattle. While past trends toward higher output per cow may be slowed by this development, the general outlook is for increased milk output during 1975 in the major reporting countries.

### Dairy Product Output

Butter production in 37 major producing countries is forecast at about the same level as the 2 preceding years. Increased production in North America and

Europe will help to offset declines in Oceania—noticeably Australia. The major uncertainty for the outlook is the output of USSR, the largest butter producer. If Soviet production is substantially above a year ago, then the world total could reach a new high in 1975.

Cheese production is forecast to be 1 percent above a year ago. This represents a slowdown in the rapid rise in cheese production, which averaged about 6 percent annually from 1971-1974. Several factors have caused the downward adjustment in output with the most important being the unusually high cheese stocks in Western Europe and North America. In the EC, most major cheeses do not have support prices which shift manufacturing milk to butter products. (Frank M. Conley, Foreign Agricultural Service)

## SUGAR DEMAND AND PRICES DOWN

### Production

The 1974/75 world production of centrifugal sugar is estimated at 79.2 million tons (raw value), almost 2 percent below last season, and 1.7 million tons lower than the December estimate (figure 10 and table 15). The price of U.S. raw sugar (New York spot), however, has dropped from the dizzy heights of fourth quarter 1974 when it averaged 47.6 cents a pound to 14.2 cents a pound on June 19 this year. The explanation for the decline lies in slackening use—a shift downward in excess of 1 million tons of centrifugal sugar over prior estimates. Also, data now available indicate that some exporting countries stockpiled sugar last year even though prices were exceedingly high.

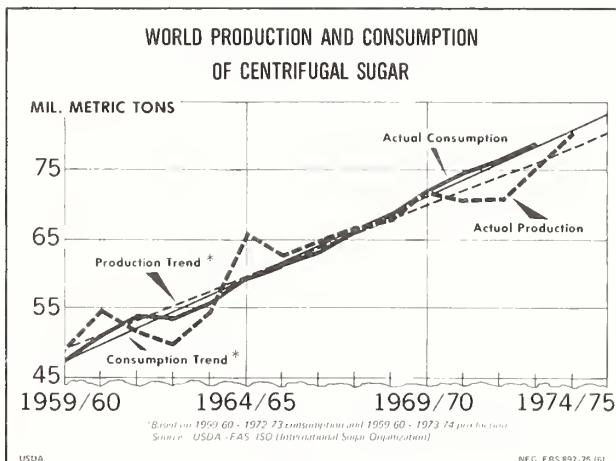


Figure 10

The new, lower estimate of sugar output is mainly the result of reductions in the USSR from 9.0 to 7.7 million tons, and in Cuba from 6.0 to 5.5 million tons (table 16). Unusual weather in the USSR led to premature seeding (bolting) of beet crops; later, rain and flooding

delayed harvest and further lowered the sugar content of the beets. Cuba experienced drought. A typhoon which moved through the Philippine sugar areas did not prevent a record output of 2.7 million tons, almost 4 percent above the previous peak reached last year.

Upward estimates of output were made for several countries, notably India, from 4.8 to 5.8 million tons. India's record output this season was encouraged by higher farm prices. India is emphasizing exports, and a higher proportion of total raw sugar output is being processed into centrifugal sugar for the export market.

Table 15—World Sugar Production and Trend Estimates

Year	Centrifugal sugar production (raw value)		
	Actual production	Trend production <sup>1</sup>	Deviation from trend
<i>Million metric tons</i>			
1970/71 .....	70.5	72.0	-1.5
1971/72 .....	70.6	74.1	-3.5
1972/73 .....	75.4	76.2	-0.8
1973/74 .....	80.7	78.3	2.4
1974/75 (forecast)	79.2	80.4	-1.2

<sup>1</sup> Trend based on 1959/60-1973/74.

### Consumption

World centrifugal sugar consumption increased at a steady rate in the period 1960-73. However, actual consumption is now estimated to have been short of trend in 1974, and consumption in 1975 will also very likely be 2 to 3 million tons below the 83-million-ton trend value. The recent slack in consumption results from these considerations:

— In the United States, some users of sugar overstocked purchases last year and in the first quarter of 1975 were working off those stocks purchased at high prices

Table 16.--World centrifugal sugar production, trade and consumption

Country or Region	1964/65-1968/69		1972/73		1973/74 1/		1974/75 1/	
	Production	Net exports	Consumption	Production	Net exports	Consumption	Production	Net exports
	1,000 Metric tons, raw value							
North America								
Canada	15,806	2,143	13,755	17,215	1,408	15,555	17,356	1,872
United States 2/	139	-841	1,022	1,146	-900	1,212	1,14	2,201
Cuba	4,969	-4,094	9,653	6,048	-4,718	10,501	-900	-1,056
Dominican Republic	5,163	4,969	596	5,250	4,140	4,64	5,378	-5,100
Mexico	723	588	119	1,142	1,099	156	5,800	5,500
Other North America	2,301	1,665	1,460	2,770	577	2,295	1,194	1,048
South America	2,511	1,061	700	1,859	1,210	927	2,035	490
Argentina	7,904	1,779	5,848	10,646	3,148	7,830	12,043	3,575
Brazil	991	74	879	1,294	167	958	1,550	469
Other South America	4,356	968	3,107	6,164	2,054	4,766	6,960	2,376
West Europe	2,557	737	1,862	3,188	927	2,606	3,433	730
EC	9,333	-2,889	13,299	11,412	-1,526	15,162	12,088	-1,418
Other West Europe	7,982	-1,717	10,097	9,595	-399	11,116	10,289	-342
U.S.S.R.	1,400	-1,172	3,202	1,817	-1,127	4,046	1,799	-1,076
East Europe								
U.S.S.R.	4,906	91	4,191	4,911	-283	5,212	5,108	-304
Africa	9,560	-853	9,403	8,075	-1,860	11,200	9,533	-2,587
South Africa Republic	2,633	-42	2,702	3,530	-157	3,767	3,823	-157
Asia	1,426	734	825	1,915	1,168	1,068	1,732	892
P.R. China	10,790	-2,230	12,808	14,632	-3,130	17,909	16,078	-3,081
India	1,441	-157	2,679	2,457	-593	3,800	2,630	-581
Japan	3/ 3,551	233	2,800	3/ 4,572	249	3,827	3/ 4,950	487
Philippines	1,361	-1,913	2,288	650	-2,777	3,294	653	-2,580
Oceania	1,559	970	622	2,425	1,240	800	2,644	1,475
Australia	2,647	1,787	856	3,110	2,109	982	2,943	2,173
World Total	65,005	520	63,688	75,446	877	78,685	80,704	965
								898

Note: --Means zero or negligible. The difference between production and consumption is not equal to change in stocks because of differences in reporting methods, sugar in transit, and reporting lags. World net exports do not equal zero because of statistical discrepancies.

1/ Consumption data by country are not yet available for publication. Production in 1973/74-1974/75 and trade in 1973/74 are preliminary.

Trade data for 1974/75 are forecasts.

2/ Includes Hawaii.

3/ Includes Khandasri.

- Economic recession in industrialized countries has decreased purchasing power and consumer expenditures in general
- Consumer resistance to high-priced sugar-based products is making itself felt worldwide. U.S. deliveries to industrial users, wholesalers, and retailers were 1.58 million tons raw value in first quarter 1975 versus about 2.49 million tons in first quarter 1974. Deliveries are starting to pick up again slightly, but U.S. sugar consumption will probably be down 1 million tons this year. In Japan, consumption could be down 400,000 tons; in Canada, 150,000 tons; and in the EC-9, the recent price increases are expected to result in a 500,000-ton cut. Retail sugar prices in London rose from 23 cents a pound on January 3, 1975 to 37 cents a pound in March; in Rome, from 26 cents a pound to 32 cents a pound; in Bonn, from 29 cents a pound to 33 cents a pound for the same period, discouraging consumption, although prices have started to recede since then. All these would result in reductions in deliveries of perhaps a minimum 2 million tons in calendar 1975. Further, several African and Asian countries have allowed retail prices to rise to reflect world scarcity conditions. Latin American countries, however, continue to be largely insulated from high world prices for sugar.

### **Stocks**

As a result of the slackening of consumption of sugar in 1975, beginning stocks as a percentage of consumption may rise somewhat. Beginning stocks in the 1974/75 season are estimated to have been 15.8 million tons. This would be 19.8 percent of consumption at 80 million tons or 19.5 percent at 81 million tons, compared with a rate of 18.9 percent in 1973/74. Between 1965/66-1970/71, the stocks/consumption ratio was between 31 and 34 percent. A stocks-consumption ratio less than 20 percent is considered a volatile situation for sugar. A reserve of at least 25 percent is generally considered necessary for "stability." To reach that level for 1975 estimated consumption, stocks would have had to be 20 million tons or 3 months' supply.

### **Price Pressure**

Besides the easing of consumption, another factor tending to keep prices from climbing is the anticipation

of a much higher 1975/76 crop. The European beet harvest may be 8 percent greater this season; the March planting intentions for the United States are for beet acreage to be up 23 percent; the USSR is expected to produce close to 10 million tons of sugar; and Australia, 3 million tons. Brazil—the world's largest cane producer—has expanded output rapidly the last 5 years in response to the rising world prices; the Brazilian government has undertaken to modernize and expand milling capacity. India is encouraging production to earn more foreign exchange; its domestic consumption has been kept down to maximize the domestic surplus of sugar for export. If these outputs come in line as foreseen, the 1975/76 world total should be close to 85 million tons, and the New York spot price could be expected to ease below 12 cents a pound. A further softening factor would be the increasing use of high fructose corn syrup, presently competitive at under 20 cents a pound (sugar equivalent basis).

### **Trade**

The export sugar market promises to be more "free" in 1975 than it has been in decades for several reasons: the demise of the U.S. Sugar Act and of the Commonwealth Sugar Agreement on December 31, 1974; the USSR's currently greater reliance upon the open market because of domestic shortfalls and Cuba's lower sugar exports; and the absence of economic provisions in the International Sugar Agreement that was renewed in 1973. However, a new agreement recently has been reached between the EC and the ACP (African, Caribbean, and Pacific) countries—the developing Commonwealth Agreement producers—for deliveries of 1.4 million tons of sugar a year over the next 5 years, at a set price to be renegotiated each year but in no case to be less than the then-current EC internal equivalent.

Further, a significant number of bilateral trade contracts have been concluded. Australia has agreed to deliver a total of nearly 1.2 million tons annually to Japan, Malaysia, South Korea, and New Zealand; Jamaica will supply Iran 50,000 tons a year for 7 years; Brazil is supplying 190,000 tons a year to Japan for the next 3 to 5 years and 150,000 to 200,000 tons annually to China for the next 5 years; Japan will be purchasing, on contract, 100,000 to 200,000 a year for 3 to 5 years from Thailand and Taiwan; and China is negotiating long-term contracts with Australia, Guyana, and Jamaica. (Robert D. Barry)

## STOCKS AND RECESSION PULL WORLD COTTON MARKET DOWN<sup>10</sup>

A steady swelling of stocks and pervasive economic recession have brought the world cotton market down. The price for California-Arizona SM 1-1/16," c.i.f. Northern Europe, slid from a peak 95.5 cents a pound in January 1974 to 48.7 cents in January 1975. A mild increase—by about 7 cents through May 1975—has shown up. However, no broad resurgent demand for cotton can be expected in 1975.

Table 17—World cotton production and consumption and trend estimates

Year beginning August 1	Production		Consumption	
	Actual	Trend <sup>1</sup>	Actual	Trend <sup>1</sup>
<i>Million bales<sup>2</sup></i>				
1970/71 .....	53.8	57.0	56.2	57.0
1971/72 .....	59.2	58.0	57.7	58.1
1972/73 .....	61.5	59.1	59.1	59.3
1973/74 .....	62.2	60.2	61.2	60.4
1974/75 .....	<sup>3</sup> 63.0	61.2	<sup>3</sup> 58.4	61.5

<sup>1</sup> Trend based on 1960/61-1973/74. <sup>2</sup> Bales of 480 pounds net weight. <sup>3</sup> Preliminary.

Between 1960/61 and 1973/74, world cotton production and consumption increased at almost the same 2.2-percent annual rate. Over the immediate 5 seasons 1970/71-74/75, however, output has exceeded trend in every year except one, while consumption has been below trend in every year except one (figure 11 and table 17).

### Actual minus trend values

	Actual minus trend values					
	1970/71	71/72	72/73	73/74	74/75	1970/71-74/75
Production ..	-3.2	1.2	2.4	2.0	1.8	4.2
Consumption ..	-0.8	-0.4	-0.2	0.8	-3.1	-3.7

By the end of the 1973/74 season, stocks had reached 26 million bales, or 42 percent of consumption. At the end of the 1974/75 season in July, stocks are estimated to be 30 million bales or about 50 percent of estimated total consumption.

### Production

World cotton production in 1974/75 is approximately 63 million bales, an increase of 1 percent from 1973/74 (table 18). U.S. output fell 12 percent to 11.5 million bales while other countries expanded a net 5 percent. Foreign noncommunist production increased 4.4 percent from 27.4 to 28.6 million bales, arising mainly from gains in Mexico (up 800,000 bales), Turkey (up 400,000), and India (up 100,000). Communist countries,

largely insulated from the world economic recession, have an estimated output of 22.9 million bales, compared with 21.8 million last season. The USSR's 12.9-million-bale production is its fifth consecutive record crop.

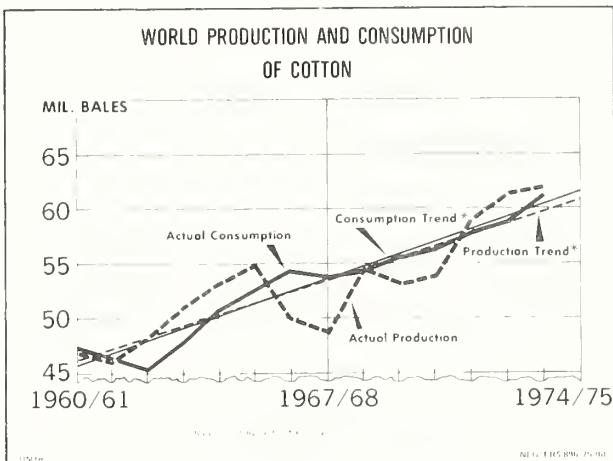


Figure 11

### Consumption

World cotton consumption in 1974/75 is now estimated at 58.4 million bales, a drop of nearly 3 million bales or almost 5 percent from 1973/74.

U.S. consumption, placed at 5.8 million bales, would be 23 percent less than last season; other countries would be a net 2.4 percent less. Foreign noncommunist consumption, estimated at 29 million bales, would drop 6.5 percent. Most of the decline will be in the cotton importing countries for which consumption of 19.1 million bales is predicted—down almost 9 percent from 1973/74. Japan's consumption could fall from 3.6 million bales to a range of 3-3.2 million, implying a severe drop of 11 to possibly 17 percent. Consumption in the EC is predicted to be 3.7 million bales, almost 10 percent lower than last season. Hong Kong's consumption may drop to 700,000 bales from 800,000.

In contrast, consumption in the communist countries is expected to increase for the seventh straight year: from 19.0 million bales in 1967/68 to 22.9 million bales in 1973/74 and to an estimated 23.6 million bales in 1974/75 (3 percent above last year). USSR consumption has been rising about 250,000 bales a year since 1969/70, reaching almost 9.5 million bales in 1974/75.

<sup>10</sup>Quantities of cotton are given in this section as bales of 480 pounds net weight, unless specified as running bales, for certain U.S. export data, which weigh on the average something in excess of 480 pounds net.

Table 8.—Cotton production, exports, imports, and mill consumption in selected countries and regions, 1971/72 to 1974/75 1/

Country and Region	Production	Exports	Imports	Mill consumption			
				1971/72	1972/73	1973/74	1974/75
Million bales 3/							
United States	10.4	13.7	11.5	3.4	5.3	6.1	3.9
U.S.S.R.	10.9	11.2	11.8	12.9	2.8	3.0	2.9
China, People's Republic	9.6	8.2	9.9	9.9	—	0.1	0.1
India	5.9	5.4	5.5	5.6	0.2	0.2	0.2
Pakistan	3.2	3.2	2.9	3.0	1.0	0.8	0.2
Brazil	3.1	3.0	2.6	2.4	1.4	1.3	0.2
Egypt (IAR)	2.3	2.4	2.2	2.1	1.4	1.4	0.5
Turkey	2.4	2.5	2.4	2.8	1.5	1.5	1.0
Mexico	1.7	1.8	1.5	2.3	0.9	0.9	0.7
Central America 4/	1.2	1.2	1.6	1.4	1.0	1.1	1.5
Sudan	1.1	0.9	1.1	0.9	1.1	0.8	0.8
EC-9	—	—	—	—	—	—	—
Eastern Europe 5/	0.1	0.1	0.1	—	—	—	—
Japan	—	—	—	—	—	—	—
Hong Kong	—	—	—	—	—	—	—
Taiwan	—	—	—	—	—	—	—
Korea, Rep. of	—	—	—	—	—	—	—
Other countries	7.3	7.9	7.5	8.2	3.8	4.0	4.2
World total	59.2	61.5	62.2	63.0	18.5	20.6	19.6
					17.0	18.5	20.7
						20.0	16.8
							57.7
							59.1
							61.2
							58.4

Note: --- = Less than 500 bales. Individual items may not precisely add to totals because of rounding.

1/ Years beginning August 1.

2/ Preliminary and subject to revision.

3/ Bales of 480 lbs. net weight.

4/ Includes Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

5/ Includes East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Yugoslavia, and Albania.

Source: Foreign Agricultural Service.

## Trade

With excess stocks of cotton and textiles to be worked off in most importing countries, the high holding cost of inventories, and market uncertainties, trade volume is down this season. World cotton exports will be an estimated 17 million bales, 2.6 million below 1973/74 exports and the smallest since 1962/63. The United States may not export more than 3.9 million bales—a drop of 36 percent from the near-record 1973/74. The 2.2-million-bale reduction in U.S. exports would represent over 75 percent of the world export decrease. The biggest cuts in U.S. exports are to Japan and China. In 1973/74 the United States exported 1.3 million running bales to Japan. As of June 1, 1975, U.S. exports to Japan were less than 845,000 running bales (table 19). Japan's real GNP fell 2 percent, compared with annual growth rates of nearly 10 percent in prior years. Inflation and labor costs have heavily burdened the textile industry.

The United States exported 846,000 running bales to China in 1973/74, but will send only 300,000 running bales in 1974/75. China's total cotton imports could fall from last season's estimated 1.8 million bales to 0.7 million bales because of higher beginning stocks, another large crop of 9.9 million bales this season, and the desire to conserve foreign exchange. China's exports could exceed 0.2 million bales, more than double those of recent years.

The East Asian countries of South Korea, Hong Kong, Taiwan, the Philippines, and Indonesia as a group were sold almost 2 million running bales of cotton by the United States in 1973/74; as of June 1, U.S. exports totaled only 592,000 running bales. Contract difficulties between some of these countries and the United States—involving about 1 million running bales contracted prior to August 1974—have been substantially resolved with the aid of additional CCC commercial credit, but most of these exports will materialize after the 1974/75 season ends in July.

In several countries, steps have been taken to promote exports and stimulate domestic demand for cotton. Pakistan, Brazil, and Turkey have established tax and other financial incentives for exporters; the Pakistani

government has purchased domestic cotton and negotiated a number of bilateral trade contracts; Malaysia has temporarily banned the imports of certain textiles; and Australia has established a tariff/quota system to restrict textile imports. In some industrialized countries (Japan, UK, Western Europe), competition from low-priced imports has intensified pressure for official import-restraint policies.

## Outlook

The predicted improvement in world economic conditions toward the end of 1975 and in 1976, should resurrect cotton markets. But cotton plantings for 1975/76 in the United States and in foreign noncommunist countries will be more strongly influenced by today's presently large stocks, high energy and input costs, sluggish demand, and persistent price and market uncertainties.

World cotton output in 1975/76 may be down to less than 60 million bales. U.S. production may decline substantially from 11.5 million bales in 1974/75, although recent slight advances in cotton prices combined with somewhat less favorable prices for alternative crops (soybeans and grain sorghum), plus current price-competitiveness of cotton versus manmade fibers, would be encouraging elements.

In foreign noncommunist countries, a 5-percent reduction in cotton area is predicted which could imply an output of about 27 million bales, or almost 2 million bales below the 1974/75 season.

Most of the drop in world production can be expected to occur in Mexico, Turkey, Iran, and the larger producing countries of Africa. A shift from cotton production to other crops such as wheat, soybeans, sorghum, rice, and sugar is occurring in a number of countries such as Turkey, Sudan, and Iran.

In a few cases, cotton production is being encouraged for import-substitution purposes, as in Indonesia, Bangladesh, and Sri Lanka. Production in communist countries is expected to continue to increase; USSR cotton prospects point to an output of about 13 million bales, just above last year. (Robert D. Barry)

## TOBACCO PRODUCTION AND TRADE CONTINUE EXPANSION

### Tobacco Production

World tobacco production in 1975 is expected to reach about 12 billion pounds, some 5 percent above last year and the third consecutive record output (table 20). After a 4-year slump between 1968 and 1971, tobacco output is on the upswing, and 1975 could be the second year in a row that production rises above trend (figure 12).

The United States and China are the world's leading tobacco producers, each accounting for about 18 percent of world output. U.S. tobacco output in 1975 is projected at 2.2 billion pounds, a tenth above 1974; flue-cured tobacco at 1.4 billion pounds will be 13 percent

higher, and burley output (the other major U.S. tobacco variety) could gain 8 percent to 0.66 billion pounds. China's 1975 output may remain near 1974's estimated level.

Sizable increases over 1974 output are expected in Brazil (up 22 percent, to 0.58 billion pounds); Greece (up 24 percent to 0.22 billion); Bulgaria (up 15 percent to 0.33 billion); South Korea (up 16 percent to 0.25 billion); Poland (up 12 percent to 0.17 billion); and Colombia (19 percent, to 0.128 billion). India's production at 0.93 billion pounds will likely be 5 percent less than in 1974.

Rhodesia's crop may be about 0.17 billion pounds, slightly less than last year. Auctions this season have

Table 19.--U.S. cotton exports by destination, 1969/70-1974/75 1/

Country	: Average : 1968/69- : 1972/73	: 1972/73	: 1973/74 : 1973/74 : August-March	: 1973/74 : August-March	: 1974/75 : August-March
<u>1,000 running bales <u>2/</u></u>					
:					
Japan	: 753	1,039	1,312	870	658
China, People's Republic of	: 108	541	822	461	120
Korea, Republic of	: 491	572	722	466	361
China, Republic of (Taiwan)	: 300	356	542	393	129
:					
European Community	: (439)	(699)	(414)	(300)	(244)
Italy	: 92	172	124	75	68
Germany, West	: 75	177	101	85	41
France	: 71	141	81	60	51
United Kingdom	: 66	88	60	45	28
Other EC	: 135	121	48	35	56
:					
Hong Kong	: 138	193	356	209	18
Canada	: 228	249	258	182	133
Indonesia	: 194	203	223	119	28
Philippines	: 136	153	154	104	56
Bangladesh	: 23	114	92	14	44
Romania	: 44	72	89	69	44
Switzerland	: 40	86	78	60	49
South Vietnam	: 101	124	65	19	25
Spain	: 35	107	35	25	41
Poland	: 51	58	30	12	15
India	: 149	---	---	---	---
Others	: 265	441	554	322	299
:					
Total	: 3,495	5,007	5,746	3,625	2,264
:					

Note: -- = less than 500 bales.

1/ Years beginning August 1.2/ Export bales were, on the average, packed heavier than 480 lbs. net, so the total number of bales shown here does not agree with the net weight bales shown in table

Source: Foreign Agricultural Service.

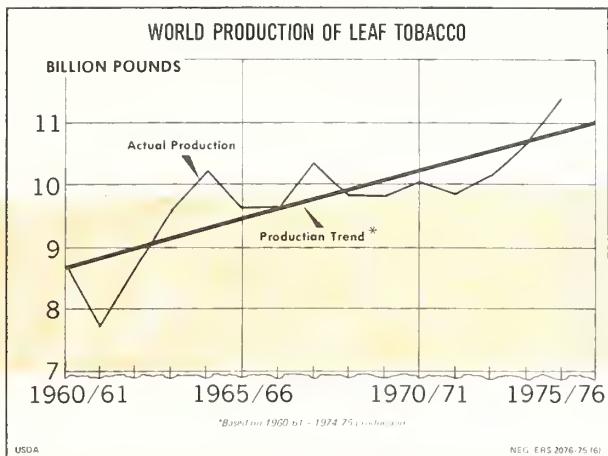


Figure 12

Table 20—World Tobacco Production and Trend Estimates

Calendar year	Actual	Trend <sup>1</sup>	Deviation from trend
Billion pounds			
1971 .....	9.98	10.39	-0.41
1972 .....	10.24	10.55	-0.31
1973 .....	10.67	10.71	-0.04
1974 .....	11.40	10.86	0.54
1975 .....	--	11.02	--

<sup>1</sup> Trend based on 1960-1974.

brought lower prices to growers. A marked drop of about 30 percent is expected in Canada, to 0.18 billion pounds, as a result of declining exports to the UK, high carryin stocks, and low grower prices.

### Cigarette Output

Between 1960 and 1974, world tobacco output increased at a trend rate of less than 2 percent a year. Cigarette output (two-thirds of tobacco leaf use) increased at an average of almost 4 percent a year, reflecting a trend toward less tobacco per cigarette. Filter tips; shorter, thinner, cigarettes; more loosely packed tobacco; and use of non-leaf tobacco materials account for the difference. The rate of increase in cigarette output has been very steady with little deviation from the 1960-74 trend.

World cigarette output in 1975 is forecast to gain 3 percent above the estimated 1974 output of 3.7 trillion pieces. U.S. cigarette output (about 18 percent of the world cigarette total) is expected to increase from 635 billion pieces in 1974, and may surpass the 1973 record of 644 billion. For other countries as a group, preliminary data through 1974 show an output increase of 3 percent over 1973.

Japan's output of 290 billion pieces, up 9 percent, continues a pattern of uninterrupted growth in cigarette manufacture since 1960. Brazil's output, growing slowly over the years, rose almost 13 percent in 1974 to 100

billion pieces; further gains to 109 billion are predicted in 1975. France's output was 12 percent higher. Output of other major producers (USSR, West Germany, United Kingdom) in 1974 remained near that of 1973.

### Trade

World exports of unmanufactured tobacco, after stabilizing in 1973, rose an estimated 15 percent in 1974 to about 3 billion pounds (including estimates for communist countries).

U.S. exports were 0.651 billion pounds, 6.4 percent above the 1973 level and the largest on record since 1947. The U.S. share of the world total, about 21.5 percent in 1974, is slightly less than in the previous 2 years and significantly below the 1960's when it stood at about 25 percent.

Other major exporters in 1974 were Turkey (0.25 billion pounds, an increase of about 4 percent over 1973), Bulgaria (0.21 billion pounds, a rise of 37 percent), and Brazil (0.20 million pounds, an increase of 41 percent). Other large advances were made by Greece and Italy.

Among importers, the United States is third largest, taking 0.3 billion pounds in 1974, an increase of more than 9 percent over 1973. West Germany imported 0.44 billion pounds, (arrivals), up one-fifth from 1973. UK imports were 0.36 billion pounds, a 10-percent increase; for 1975, however, a 36-percent increase in the UK excise duties on tobacco will certainly limit trade.

Japan's imports have been rising rapidly, from 0.10 billion pounds in 1971 to 0.17 billion in 1974. In 1975, however, Japan will provide incentive payments to tobacco growers to encourage output and slow down imports. Nevertheless in 1975, Japan's imports are still expected to reach a new record of 0.220 billion pounds, of which over 40 percent is expected to come from the United States.

In 1974, Japan became the biggest U.S. market for unmanufactured tobacco, taking almost 40 percent more than in 1973 as cigarette output continued to expand. U.S. exports of tobacco and tobacco products to the Middle East have gone up from \$41 million in 1971 to \$125 million in 1974, with further high growth expected.

In fiscal 1975, U.S. exports of unmanufactured tobacco are estimated to fall 5 percent in volume from 1974. Exports have slowed to the EC (particularly UK and Denmark), and to Southeast Asia (Thailand and South Vietnam). Export unit value, however, will be about 20 percent greater, so that export revenues will be another record. The value of U.S. unmanufactured tobacco exports jumped 24 percent to a record \$886 million in calendar year 1974; increases in the 2 previous years 1972 and 1973 were 35 percent and 6 percent, respectively.

U.S. exports of tobacco and products reached \$1.2 billion in 1974, and with imports valued at \$182.5 million, the net contribution to the U.S. balance of trade was in excess of \$1 billion. (Robert D. Barry and Charles E. Goode)

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